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NEWS SUMMARY

GENERAL

Terror attack on farm kills 14

Fourteen black labourers and children were shot and burned to death on a white-owned farm 150 miles east of Salisbury by black gunmen, who earlier had warned them not to work there. The victims included a mother and five of her six children, aged between two and ten.

The massacre is the third atrocity against civilians blamed by the Rhodesian security forces on nationalist guerrillas within a fortnight. Thirteen British missionaries were hacked to death near the Mozambique border 10 days ago, and last week, guerrillas slew an eight-strong black family in central Rhodesia.

Last night's massacre was announced with the deaths of 16 blacks and a white farmer, caught over the weekend in other areas of the guerrilla war.

Narita clashes

Fifty protesters were arrested in clashes with riot police at Tokyo's Narita airport while thousands more staged demonstrations nearby. Three petrol bombs were thrown through an airport gate and a truck caught fire.

Ceremony hit

Women's libbers disrupted a ceremony in gardens adjoining the Houses of Parliament to mark the 50th anniversary of equal voting rights for women. They heckled and shouted as former suffragettes met politicians and other leaders.

Girl, 3, killed

A three-year-old girl died after becoming entangled in a rotary clothes line in Gillingham, Kent. She rode into the line on her bicycle.

MP support

Labour MP Simon Mahon has sent a telegram of support to Archbishop Thomas Winning, Roman Catholic Archbishop of Glasgow, who criticised Prince Charles' remarks on differing church doctrines.

Ballot stalemate

The Italian Parliament failed last night at its sixth attempt to elect a new president of the Republic. A further ballot takes place this evening after talks between the main parties.

Flat raid claim

National Front official Mr. John Judge said that five men raided his Sheffield flat and stole branch files, after threatening and punching him and his invalid wife. He was slightly injured by an air pistol shot.

Nixon address

Thousands of Nixon supporters flocked to Hyden, Kentucky, to hear the ex-President's first public speech since resigning four years ago. He was dedicating a new recreation complex.

Diplomatic freeze

Sixteen Arab states "froze" diplomatic relations with South Yemen, whose Marxist leaders were accused of plotting the death of North Yemeni President Ahmed Hussain Al-Ghashmi. Back Page

Briefly . . .

Prison security investigation was ordered in Manila after a doctor complained that he went shopping and bumped into a man jailed after kidnapping him.

Labour MP for Ogmore and former party chairman Mr. Walter Padley is to retire at the next General Election.

Police used tear gas to disperse 1,000 demonstrators after a Buenos Aires Mass marking the fourth anniversary of the death of former President Juan Peron.

U.S. climber fell to his death and two other were presumed dead after being swept away by a storm on Peru's highest Andean peak.

BUSINESS

Economy 'still short of boom'

● IMPROVEMENT in UK economic activity and output remains uneven and falls short of boom conditions, the CBI *monthly* trends inquiry and the FT monthly business opinion survey show today.

Since early spring, total order books may have improved slightly, export order books shown a more marked recovery, and the proportion of companies with high stocks of finished goods reduced somewhat, the CBI inquiry shows.

But forecasts point to the volume of output over the next four months being much weaker than earlier in the year.

The FT survey suggests broadly similar conclusions.
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● CONSUMER BOOM is likely to be short-lived, with a slow-down in the rate of output growth next year, the London Business School's Economic Outlook forecasts. Inflation will accelerate and the current account will deteriorate next year, it adds. Page 4

● MR. DENIS HEALEY is likely to announce a voluntary and flexible guideline for earnings growth of about 8 per cent in the next pay round, stockbrokers Phillips and Drew say. Page 4

● BRITISH GAS CORPORATION is moving the U.S. headquarters of its International Gas Consultancy subsidiary from Stanford, Connecticut, to Washington. The move is prompted by need to be nearer the centre of U.S. political activity at a time when politics looks like over-riding many of the corporation's marketing aspirations.
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Farm machine sales fall 12%

● AGRICULTURAL EQUIPMENT Dealers Association reports a 12 per cent slump in home sales of tractors and machinery over the past year. Officials see little prospect of any big increase for the rest of this year.
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● CHRYSLER UK management and unions meet Industry Department officials in Coventry to-day to approve the final draft of a new planning agreement. Meanwhile, industrial disputes threaten to halt the company's car assembly within the next 48 hours.
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● COMMITTEE of Inquiry into the engineering profession is being urged by the Engineers and Managers Association to include the problem of union membership for senior staff in its report. Page 4

● PUBLIC SECTOR unions are preparing claims for hefty increases in wage supplements paid to London staff. Claims of more than £200 for staff in inner London, with perhaps half that for workers in outer areas of the capital would be justified, the unions claim. Page 4

● IRAN and a consortium of Western oil companies have reopened talks on a new long-term agreement in Tehran. Page 2

● DUBAI dry-dock being built by the Costain-Taylor Woodrow joint venture began a four-day controlled flooding programme before testing the dock gates—the biggest weighs 850 tonnes. Page 3

COMPANIES

● TELEBRAZ, the Brazilian telephone authority, has been awarded a mandate for a $180m international loan, as has Korea Electric Company for a $400m 10-year loan. Chase Manhattan is lead manager in both cases. Page 27

● GEC SUBSIDIARY Telephone Cables has been awarded a contract to supply 7 km of optical cable to London Transport to be installed between Earls Court and Acton stations. Page 4

Airlines sanction plan for more freedom on fares

BY ROBERT GIBBENS, Montreal, July 2

Proposals for greatly increased competition between the world's airlines have been given the go-ahead in principle by the International Air Transport Association. Its special meeting in Montreal at the weekend approved a package allowing scheduled airlines greater flexibility and innovation in fare-setting, and freeing them from controls on meals, in-flight entertainment and other aspects of cabin service.

With solid support from British Airways, the North American airlines and many other international carriers, the show of hands vote was about two-thirds in favour of a package of nine recommendations put by a task force of the IATA executive committee headed by Air Canada president, Mr. Claude Taylor.

Basically, the package says that there should be two levels of IATA membership, with flag-carriers able to charge what they want and not forced to charge higher fares to suit airlines with no direct interest in the route involved.

Two-level membership would allow individual airlines to opt out of fare and condition setting, while still having a say in safety, traffic control and documentation.

Most of the opposition to the package—designed to bring IATA into the realities of the market place, as Mr. Taylor put it—came from Mr. Salim Salaam, speaking for Middle East Airlines and several African and Asian carriers.

"You've gone overboard trying to spread the lawlessness of the North Atlantic to other areas where rates are stable and financial returns also," he said. He accused the executive committee of trying to stamp on members' voting rights.

The principles must be worked out in detail in conference committees, incorporating some objections and suggestions raised by members, and then submitted to governments, some of which, especially the U.S., have been increasingly critical of IATA in recent months.

This process may last many months.

Regrouping

But the end result will be more competitive rates, especially at the lower end of the market. There will be more "no-frills" travel and some benefits should be available to business travellers.

Among the main proposals approved were:

● Regroup IATA activities into two categories—trade association activities, with membership mandatory; and passenger and cargo tariff co-ordination, membership optional.

● Maintain existing traffic conference areas with some amendments, but set up a mechanism for similar agreements in smaller geographical areas.

● Enable members to introduce innovative fares and rates because of market changes without rescinding existing fare agreements.

● Eliminate regulation of meals, bar service, sales on board and in-flight entertainment. Traffic conferences should review all resolutions to eleminate unnecessary regulation.

● Permit third parties, Government agencies for example, to present their position to traffic conferences.

● Modify IATA compliance programmes to emphasise "preventive rather than punitive" aspects.

● IATA *traffic committees'* terms of reference to be redefined, and greater rotation of membership.

David Lascelles reports from New York: The main U.S. airlines strongly backed the proposed changes to IATA on the grounds that the association badly needed to be adapted to meet changing circumstances, particularly on fares.

Editorial comment, Page 12

Miners prepare to attack call for pay restraint

BY CHRISTIAN TYLER, LABOUR EDITOR

THE PROMISE by the Prime Minister last week of another year of wage restraint at the end of this month, whether the unions like it or not, will be sharply attacked by the National Union of Mineworkers this week and again at the September Trades Union Congress.

Ill-feeling about the social contract and its attendant wage *controls in the last three years* is expected to put the conference of the NUM, which starts today at Torquay, firmly behind a Left-wing resolution declaring "total opposition to any proposed extension of the social contract into Phase Four."

A similar protest will be sent for debate at the TUC, where it is likely to be contested by unions like the General and Municipal Workers which want to restyle the TUC pact with the Government as the "economic contract."

With an autumn election in the air, some union leaders already predict that the Congress will produce a majority for this moderate line.

Under the heading of "voluntary responsible collective bargaining," it would imply consent to the principle of modest wage rises, even though the Government's figure of 7 per cent for earnings cannot be agreed formally with the unions.

The framework of this new chapter of the social contract will be reviewed today at the TUC-Labour Party Liaison Committee, whence it will go to the TUC General Council towards the end of the month.

The miners' resolution on economic policy comes from the South Wales area. It refers to "the terrible consequences of unemployment in Britain today" and calls on the Government to stimulate demand by removing restrictions on wage bargaining and re-establishing its Socialist *priorities by increasing expenditure* on public services.

The wage claim for next year is not expected to generate controversy this week. There are calls for £110 and £135 a week for top-rated coal face workers, and pro rata for others, compared with the £78 reached after the union accepted a 10 per cent Phase Three increase in March.

Divisive move

Yorkshire, the biggest coalfield, will try to put miners on to a salary—it is calling for £6,500 a year—but does not seem very confident of success.

Mr. Arthur Scargill, the area president, said yesterday that the purpose was to give miners the same "security and dignity" enjoyed by staff, Coal Board chiefs, and NUM officials like himself.

Much more divisive will be an attempt by *Derbyshire*, backed by Yorkshire, to make voting on the Right-wing dominated National Executive Committee proportional to areas' memberships. That would give the Left a majority on key issues.

On Friday the executive voted, not surprisingly, 16 to 9 to oppose this change of rule, but, unusually and to the pleasure of the Left, it voted 13 to 12 for a Kent area motion instructing the executive to "act in accord with the written word and spirit of the rules."

Kent's motion also expresses "deep concern" about the *executive's failure to honour the rules*, which it says has led to diminution of democracy.

The Kent motion is the result of great bitterness about the executives' decision to allow incentive payment schemes to be negotiated at area level after a pithead ballot had rejected the same scheme on a national basis.

Kent took the union twice unsuccessfully to court, first to *stop the ballot, as a breach of* conference decision; and secondly to protest at the executives' decision after the ballot.

Mr. Scargill conceded yesterday that the rule change, which requires a two-thirds majority of the delegates, would not get through.

Anticipating failure, Yorkshire will go ahead with its threat not to approve a 50 per cent increase *in subscription that the* financially-troubled union is seeking from its areas. That increase would mean Yorkshire contributing £1.3m a year.

Left-wing attack, Back Page
Tory campaign, Page 4

Mondale fails to alter tough Israeli negotiating stance

BY DAVID LENNON JERUSALEM, July 2.

MR. WALTER MONDALE, Vice-President of the United States, did not appear this evening to have managed to move the Israeli Government from its tough stance in the Middle East peace negotiations, in spite of two days of talks with Israeli leaders here.

He said after a 90-minute meeting with the Cabinet this afternoon that the Israeli position had not changed, but the purpose of his visit had been only to clarify the Israeli position rather than try to change it.

Vice-President Mondale said that he thought "it was fair to say Israel had agreed to attend the London conference." But Mr. Begin said that his Government would decide whether or not to participate after it had a chance to study the Egyptian peace plan.

The Israeli Premier also disclosed that there might be contacts between Israeli and Egyptian representatives this week.

Mr. Mondale this evening urged Israel to withdraw from the occupied West Bank and Gaza Strip, as it had offered to withdraw in Sinai. "Without eventual withdrawal on all fronts . . . there can be no lasting peace," he said at a State banquet in Jerusalem.

In his speech Mr. Mondale stressed the dangers of letting *the opportunity for peace* slip away.

"Time is not on our side, we cannot afford to delay, we must not minimise the urgency of the moment," he said, in a clear effort to push Israel to act quickly before the mood created by President Sadat when he visited Jerusalem in November faded.

Mr. Monahem Begin, Israel's Prime Minister, said that Israel would be happy to study the Egyptian peace plan, when it was delivered to Mr. Mondale "perhaps tomorrow."

Logical step

Earlier, after the Cabinet meeting, Mr. Mondale and Mr. Begin said they saw the proposed meeting of the Israeli and Egyptian Foreign Ministers, in London this month, as the logical step in the efforts to break the deadlock.

Mr. Mondale said he had assured the Cabinet that Israel's security needs would be fully met. There would be further discussions about U.S. arms supplies prior to his departure tomorrow.

The underlying tension in relations between the Carter Administration and the Begin *government surfaced twice over* the weekend. The Israelis feel that the Americans are putting too much pressure on the government to make further concessions in the peace negotiations with Egypt.

They were particularly angered by President Jimmy Carter's statement over the weekend that if the direct negotiations could not be successfully resumed, the search *for a Middle East peace agree*ment might have to be resumed in the Geneva Conference framework.

Even though Mr. Mondale denied that the President's remarks constituted a change in American policy, he was unable to convince the Israelis that this was not intended as a threat.

Israel does not want to go to a peace conference attended by both the Soviet Union and Syria, one of the toughest of the Arab confrontation States.

Mr. Mondale leaves Israel tomorrow for Egypt where he will have talks with President Anwar Sadat before flying on to Washington later in the day.

South Yemen move, Back Page

Schmidt seeks African copper deal

BY JONATHAN CARR

BONN, July 2

HERR HELMUT SCHMIDT, West German Chancellor, has returned from his first visit to black Africa convinced that copper from Zambia and Zaire should be drawn into the European Community's export earnings stabilisation scheme.

The scheme, drawn up under the Lome convention between the EEC and a large group of developing countries, provides for compensation to the producers of certain raw materials if their earnings fall below *pre-determined levels*.

Herr Schmidt said in interviews that he would urge this step to his fellow Community leaders during the European Council meeting in Bremen.

He noted that the inclusion of copper would cost the Community countries a lot. But he felt the stabilisation scheme solution to be far better than others advanced—for example the conclusion of a world copper accord to which all producers would belong.

He said that the U.S. and the Soviet Union were among the main copper producers who would benefit from such an accord. He was not ready to pledge German taxpayers' money to achieve this result.

Herr Schmidt had talks during his five-day trip with President Kenneth Kaunda of Zambia—a country very largely dependent *on its copper earn*ings. The Zambian trip was preceded by a visit to Nigeria.

Progress

John Edwards Commodities Editor, writes: Negotiations on an international copper agreement between producing and consuming countries to stabilise prices have made little progress during the past few years.

Leading copper-consuming countries, notably West Germany, Japan and the U.S., are convinced that an international pact for copper would be very expensive and unworkable.

However, copper is the most important of the 10 "core" commodities under the UN conference on trade and development integrated programmes aimed at bringing a new economic order for developing countries.

Given the failure to agree to a world pact, it would make sense for the EEC, which is very dependent on copper imports, to try to safeguard its future supplies by an individual agreement with exporting countries.

Treasury will resist extra spending plan

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

TREASURY MINISTERS this week will try to persuade the Cabinet to retain the present planned limits on the growth of public spending over the next few years in the face of proposals for additional expenditure *from several departments*.

The extra items would, if approved, add several hundred million pounds to the total from 1979-80 onwards.

Unless other programmes were cut, the result would be a faster growth in the volume of total expenditure than the 2 per cent annual rate specified in last January's spending White Paper.

The Treasury is determined to *retain this limit in view of the* Government's stated "firm intention," reiterated in the Budget speech, to contain the growth of expenditure from next year within the expected growth of the economy as a whole.

The latest official view is believed to be that the economy is unlikely to be able to grow by more than between 3 and 3½ per cent on average in real terms in the next few years without undermining the current account, monetary and inflation objectives.

The Cabinet this week will discuss the Government's expenditure plans up to 1983 as part of the annual review.

Priorities

The timing is, potentially, politically awkward, since the Government will clearly want to avoid a *divisive* dispute over spending priorities between ministers so soon before a probable election.

One solution may be for the Cabinet to indicate the overall limits of planned spending and to leave the detailed issues until the autumn, after an election.

This would, just, leave sufficient time for a White Paper to be produced early in the New Year.

But the spending Ministers concerned are known to want decisions now since they believe the proposals are electorally attractive.

The list of suggested extra expenditure includes:

● A new maintenance grant for those in full-time education between 16 and 18, and more money to be spent on teachers and schools to cope with the declining number of pupils.

● A special benefit for those on short-time working.

● An expansion of capital investment on certain environmental programmes, which were cut sharply in 1976.

● A commitment to a 3 per cent annual increase in real spending on the health service, compared *with the rise of less than 2 per* cent at present planned.

● An increase in the defence allocation, partly following the recent pay award.

Limited

Last January's White Paper specifically included a large contingency reserve to allow for extra items. But decisions to increase spending in the April Budget, *notably the uprating of* child benefits, have already resulted in the commitment of about half the £1.5bn reserve for 1979-80.

There is only limited scope for further reducing the reserve before the start of the next financial year.

An additional constraint is applied by the usual process of re-estimating the cost of existing programmes which may involve *cuts in some areas*.

A special problem now is that the Government has made a number of forward commitments on public sector pay — notably for the Armed Forces and firemen — which may mean that the relative cost of public sector services is rising faster than prices in the economy as a whole.

This unfavourable relative price effect means that public *spending in cost terms is rising* more rapidly than when stated on the normal volume basis.

Barclays may vary hours

BY NICK GARNETT, LABOUR STAFF

BARCLAYS BANK hopes to start a pilot scheme of flexible opening hours in the autumn which would form the basis of a permanent small network of branches open outside conventional banking times.

Other clearing banks will watch the scheme carefully.

Barclays, which has still to start formal negotiations with the unions on the proposal, said yesterday that it hoped about 20 branches would be in the initial project.

The scheme would involve earlier morning and later afternoon or evening opening.

The unions are considering proposals from the bank to open more bureaux de change. They recently agreed to Saturday opening of the bank's Brent Cross shopping precinct branch.

Negotiations with the unions, which are suspicious of the overall repercussions of conceding more flexible opening in some branches may prove awkward for Barclays.

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FEATURES

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OVERSEAS NEWS

WINE AND FRUIT GROWERS CHEER SPEECH

Bar Spain from EEC says Chirac

BY ROBERT MAUTHNER PARIS, July 2.

M. JACQUES CHIRAC, the French Gaullist leader, has vowed to do everything in his power to block Spain's entry into the Common Market, thus directly contradicting President Valery Giscard d'Estaing, who last week emphasised that France was in favour of Spanish membership.

By stressing during his state visit last week to Spain that Spanish membership was in the EEC's interest, M. Giscard d'Estaing appeared to have dispelled the Madrid Government's suspicions about French policy. It is now clear, however, that opposition in France to Spanish membership will be much greater than the Government envisaged and could have a decisive influence on its attitude.

Two major French political parties—the Gaullists and the Communists—have already made clear that they are categorically opposed to Spain's entry, while the Socialists are still sitting on the fence. The Gaullists and Communists have the powerful backing of the southern wine, fruit and vegetable growers, who have not hesitated in the past to organise huge and sometimes violent demonstrations in *support of their cause.*

M. Chirac's remarks were made in a speech yesterday at Castelnaudary, near the Spanish frontier, to some 7,000 delegates representing the wine and fruit growing regions of south-western France. The speech was given an enthusiastic reception.

M. Chirac said that Spanish membership would place French wine growers, already badly hit by imports of Italian wine, in a dramatic situation. "It would be a capital error," he added to loud cheers.

If Spain joined the EEC, there would be no technical way of stopping entry into France of Spanish wine, fruit and vegetables, which were already threatening to flood the French market. "Tearing up vines and orchards is an absurd and inhuman solution," M. Chirac said. "We have a quality product and it is up to us to create the conditions under which it can be developed."

The Gaullist leader did not, however, confine his party's opposition to Spanish membership alone. Any enlargement of the Community would mean the total paralysis of the European system. The entry of Britain, Denmark and Ireland had already blocked the development of the Community's Common Agricultural Policy (CAP). If Spain, Greece, Portugal and Turkey became members, it would mean "the end of all European ambition," M. Chirac said.

President Giscard d'Estaing, for his part, does not deny that many difficult obstacles have to be overcome before Spain becomes a member of the EEC. All that he did during his visit to Spain was to have emphasised that the French Government has no objection in principle to Spanish entry. In order to facilitate the negotiations between Spain and the EEC, M. Giscard d'Estaing has proposed that regular meetings should be held between French and Spanish officials to identify and examine specific bilateral problems.

Desai may seize chance to reshuffle

By K. K. Sharma NEW DELHI, July 2.

THE CRISIS in the ruling Janata Party deepened to-day with the resignation from his post of Mr. Rabi Ray, the party's general secretary. He remains a member of the national executive. Mr. Ray is a follower of Mr. Charan Singh who resigned as Home Minister on Friday after a demand from Mr. Morarji Desai, the Prime Minister, for the resignation of both Mr. Raj Narain, the Health Minister, and Mr. Charan Singh.

The wrangles at the centre are having repercussions in the states. Mr. Devi Lal, Chief Minister of Haryana, who is also a supporter of Mr. Charan Singh, is facing a campaign for his resignation.

Efforts are under way to arrest the trend towards break-up of the Janata Party, notably from the powerful Jana Sangh group within it. But for the moment Mr. Desai appears to be having things very much his own way and he is anxious to rid the party of his opponents. He may find this difficult because of lack of co-operation from the Jana Sangh but the indications are that he will seek to reshuffle his Cabinet as soon as possible.

Mr. Charan Singh has announced, meanwhile, that he will not leave the Janata. "We do not want to leave the Janata Party which we were instrumental in building."

He blamed multi-nationals and big business for his resignation, claiming that they had applied pressure for his removal since his policy of promoting small industry and agriculture did not suit them. He thus implied that there was foreign pressure behind the demand for his resignation. He said he would concentrate on taking his ideology to the people and would expose vested interests.

U.S. agency halts work on nuclear power station

BY DAVID LASCELLES NEW YORK, July 2.

THE ANTI-NUCLEAR power lobby won a significant victory on the week-end when the Nuclear Regulatory Commission (NRC) ordered a halt, for the second time, to construction of the controversial Seabrook nuclear power station in the state of New Hampshire.

The NRC said work must stop by July 21 and that no new permit would be issued until after the Environmental Protection Agency inspected the plant's proposed cooling system and the NRC had considered other sites.

Although the NRC acted in response to petitions from environmental groups, it cannot have ignored the fact that Seabrook has become the focus of periodic and sometimes violent demonstrations. Only ten days ago several thousand people held a second annual rally there.

These groups to-day praised the NRC's ruling, but the pro-Seabrook lobby, which includes leading figures of the New Hampshire legislature, expressed anger and disappointment. The State's Governor, Mr. Meldrim Thomson, said: "The people of New Hampshire will not take this lying down." The state utility complained that every month of delay would add $15m to the $2.3bn project.

However, in addition to the symbolism of Seabrook, leading opponents object on local environmental grounds rather than as a matter of principle.

The NRC's ruling is based on procedural rather than substantive objections to the plant, but the fact that this latest ruling holds open the question of siting raises serious doubts as to whether the project will ever be finished.

Gaddafy and Mintoff to discuss supply of crude

BY GODFREY GRIMA VALLETTA, July 2.

COLONEL Muammar Gaddafy, the Libyan leader, and Mr. Dom Mintoff, the Maltese Prime Minister, will try to iron out some of the main problems in relations between Libya and Malta during talks beginning tomorrow.

Most pressing item on the agenda concerns Libya's future oil supplies to Malta which are sold to Valletta at a rate considerably lower than world market prices. Another problem is Malta's as yet unsuccessful attempts to drill for oil in an offshore zone whose ownership is being disputed by Libya. The talks will also cover the possibility of removing all tariff barriers between the two countries and the creation of a joint airline.

Before arriving in Malta yesterday Colonel Gaddafy said that the question of military bases in Malta was of great importance.

Mr. Mintoff's administration, which is trying to set up a self-reliant economy before the British bases are withdrawn, has tended not to pass the advantages of the cheaper petrol on to the Maltese public. But when the oil accord with Libya came up for renewal early this month, the Libyans insisted that the gains from the preferential prices should be enjoyed by the people as a whole.

The Libyans have offered to build a terminal at Malta where Malta's oil requirements could be refined and marketed on the island at the same retail price obtaining in Libya. The Libyan Government first gave Mr. Mintoff three weeks and then three months to consider this proposal which will be discussed with Col. Gaddafy tomorrow.

Iran opens new oil talks with Western consortium

BY ANDREW WHITLEY TEHRAN, July 2.

NEGOTIATIONS BETWEEN Iran and a consortium of Western oil companies on a new, long-term agreement have reopened in Tehran. In this fourth round of talks most of the central issues are likely to be faced.

The four-man consortium team, led by B.P.'s Managing Director, Mr. John Sutcliffe, arrived here last Wednesday and held a preliminary meeting with the chairman of the National Iranian Oil Company, Mr. Houshang Ansari. Talks resumed in earnest yesterday, with NIOC's Deputy Chairman, Mr. Hassan Ali Mehran, leading the Iranian side.

Following the established pattern of these negotiations, this latest round is expected to last about a fortnight. A local newspaper report today says that if no final agreement is reached, the talks will resume in late September. Privately, informed sources do not expect a conclusion until towards the end of the year.

Much of the work this time is thought likely to centre on determining a mutually acceptable relationship between a fixed offtake by the consortium, its service fee—calculated as a discount on the oil purchased from NIOC—and the Western group's operating costs in Iran.

Iran's latest monthly export figures, released by NIOC last night and coinciding with the resumption of the talks, show nearly an 11 per cent drop from those for the previous month. At 4.91m barrels per day, oil exports to the 21st June were fractionally below the first half year's average. The main factor responsible was the drop back to what has become the consortium's normal offtake level of 2.9m barrels a day.

Asmara break-out attempt 'smashed'

Guerrillas fighting Ethiopian rule in Eritrea said yesterday they had smashed a big drive by Government troops trying to break out of Asmara, the besieged provincial capital, Reuter reports from Khartoum. A spokesman in the Sudanese capital of the Eritrean People's Liberation Front (EPLF), one of the main insurgent groups, said the battle was fought throughout Saturday. A big Ethiopian force supported by tanks, artillery and aircraft was defeated near the village of Adi Gumbolo, south of Asmara.

Officials of another Eritrean group, the Eritrean Liberation Front (ELF), and the Tigre People's Liberation Front (TPLF), fighting along Eritrea's southern border with Tigre, also claim to have halted advancing Ethiopian forces.

The Eritrean liberation forces control about 95 per cent of the territory's 45,000 square miles. Only three major cities and two smaller garrisons are in Government hands, the insurgents say. For the past two weeks the Government radio has forecast the imminent fall of guerrilla-held towns and the reopening of Eritrea's main highways.

The announcement of the EPLF victory near Asmara came a day after a statement by the ELF that it had stopped a large Government force from crossing the southern Eritrean border at the Mareb River, north of the Tigre town of Aduwa.

Cocos purchase

Australia announced yesterday that it would buy the Cocos Islands in the Indian Ocean from their British owner whose family was given them by Queen Victoria, Reuter reports from Canberra. Mr. Robert Ellicott, Home Affairs Minister, said Australia would pay Mr. John Clunies-Ross, known as "King of the Cocos," A$6.25m for the 27 atholls making up the group. The sale would be completed by September.

Australia's move to assume full control of the islands follows strong criticism of Mr. Clunies-Ross's one-man rule by a UN decolonisation committee.

Cuba's role defended

An envoy from Dr. Fidel Castro, the Cuban leader, said in Kenya that Cuba's involvement with some African countries was not part of a grand design to spread Communism, or to boost Cuba's image in the third world, John Worrall reports from Nairobi. Mr. Alipio Zorrilla, Ambassador extraordinary and plenipotentiary, who is touring Africa on a goodwill mission, said Cuba's main aim in Africa was to assist the struggles of the African people to defend their rights. Cuba would continue to do this regardless of any propaganda campaign waged against her. The ambassador spent the weekend in Nairobi to discuss preparations for the summit of non-aligned nations in Havana next year.

Fifty airport arrests

Fifty opponents of Tokyo's new international airport were arrested yesterday when the movement staged its biggest demonstration since the airport was opened six weeks ago, Reuter reports from Narita. Organisers of the protest said about 15,000 people took part in a rally and march while some groups carried out guerrilla-style *harassing tactics as 10,000 riot* police ringed the airport. About 15 radicals, wearing red helmets and hurling petrol bombs, used two trucks to try to burst through a gate at the airport, 40 miles east of Tokyo. One of the trucks, carrying petrol bombs and propane gas cylinders, was gutted after it collided with an armoured police car and burst into flames.

Soviet manoeuvres

The biggest Soviet military manoeuvres in central Europe since the 1975 Helsinki security conference start in East Germany today, Reuter reports from East Berlin. Some 30,000 Soviet soldiers and airmen are due to rehearse co-ordination between units for five days across a 125-mile swathe of East Germany from Lieberose near the Polish border to Stendal and Magdeburg close to the western frontier.

EEC budget

Mr. Christopher Tugendhat, the Common Market's Commissioner for Budget, will submit the preliminary draft of his Budget for next year to the European Parliament when it opens in Luxembourg today for its last five-day session before the summer recess, Reuter reports.

Mr. Tugendhat is proposing an increase of 15.5 per cent, the smallest for several years, which would commit about $18bn for *spending next year. Final figures* will be arrived at after talks between the Parliament, EEC Ministers and the Commission.

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Thirty-five die in Beirut weekend of violence

BY IHSAN HIJAZI BEIRUT, July 2.

HEAVY FIGHTING broke out in Beirut today for the second day running between Syrian troops of the Arab peace-keeping force and Christian militiamen. The city was rocked by shelling, mortar and rocket fire.

Right-wing sources said tonight that the headquarters, in the heart of the city, of Lebanon's two biggest right-wing parties had been hit. "Our headquarters is on fire," an official of ex-President Camille Chamoun's National Liberal Party said. "It has been hit several times."

Right-wingers said the headquarters of the Phalangist party, the right's biggest group, had also been hit. The party radio station was knocked out by mortar bombs.

Earlier today three Syrians were reported to have been killed by Christian militia in east Beirut.

The death toll in yesterday's fighting between Syrian troops of the Arab Peace-Keeping Force and Christian militiamen rose to 32 after a number of the wounded died overnight, according to hospital officials. At least half of the dead are militiamen of the two main Christian factions, the Phalange Party and the National Liberal Party, informed sources said. The rest were civilians. Several Syrian soldiers were among the some 80 people injured in the clashes.

The violence this weekend was not unexpected. Christian districts were on strike on Saturday in mourning over the massacre of about 30 Christians in the Bekaa valley a few days before.

The Right claimed that Syrian troops were responsible, but a Syrian official statement charged on Friday night that those responsible for the massacre also committed the killings at the northern town of Ehden two weeks earlier. Thirty-four Christians were killed in Ehden in an attack by the Phalangist militias and in an inter-Christian feud. Among the dead was Mr. Tony Franjieh, the eldest son of former President Suleiman Franjieh.

The former President recently gave the Phalangists in the northern part of the country until June 30 to leave the party or the region altogether.

Mr. Franjieh, who is a friend of the Syrian President, Mr Hafez al Assad, is expected to visit Damascus this week for talks.

Portugal's labour laws worry foreign investors

BY OUR OWN CORRESPONDENT LISBON, July 2.

FOREIGN INVESTORS in Portugal are worried about the country's labour legislation, it *was reported during a meeting* on investment held in Oporto at the weekend. About 200 investors took part in a one-day discussion sponsored by the Government's Foreign Investment Institute and the Banco Portugues do Atlantico.

The investors said Portuguese labour laws created difficulties and they hoped these would be resolved by the publication of a labour code.

Portuguese workers have been protected since the 1974 revolution by legislation which makes it almost impossible to dismiss staff, provides for compensation for dismissed workers and lays down generous holiday and annual bonus payments.

The Oporto meeting considered *several aspects of foreign invest*ment including credit, tax incentives, and the *investment climate*.

According to Dr. Alexandre Vaz Pinto, director of the Foreign Investment Institute, an inquiry among potential foreign investors showed 38 per cent happy with the Government's approach to investment and [illegible] per cent unhappy.

Those taking part in the meeting considered Portugal's application to join the EEC *to be* an important incentive to new investment.

Portugal set up the institute recently to act as the main channel for outside investment

WORLD TRADE NEWS

● NEWS ANALYSIS — U.S. GAS INDUSTRY

A need for political influence

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH Gas Corporation's decision to move the U.S. headquarters of its International Gas Consultancy subsidiary from Stamford, Connecticut, to Washington has nothing to do with a desire to be nearer the market place, which is the usual motive for such moves. Instead, British Gas wants to be closer to the centre of America's political activity at a time when politics looks like over-riding many of the Corporation's marketing aspirations.

IGC is part of British Gas's International Consultancy Service, the marketing arm for the Corporation's technology in such fields as gas production, processing and transportation. Its turnover is currently running at about £8m a year, about 75 per cent of which is received in dollars and around £4m of which comes from the U.S.

The Gas Corporation's processes for making substitute natural gas (SNG) from oil-based products have, in the recent past, accounted for much of the U.S. turnover.

However, the U.S. market for new SNG plants has turned distinctly sour and many of the reasons for this can be found among the politicians and lobbyists on Capitol Hill. Consequently, British Gas is moving offices, a change which coincides with a transfer of senior personnel. Today Mr. George Percival, a director of IGC and co-inventor of one of the gas plant controlling processes, returns to London after five years as British Gas representative in the U.S. His place is being taken by Mr. Graham Bolton, an engineer.

The small U.S. office acts mainly as a *listening post*, with its British Gas representative supported as needs be by technologists and engineers based in the UK. The sound emanating from Washington and relating to SNG prospects have not only caused concern within British Gas but also disappointment among the constructors of such gas plants. Five engineering contractors — Lummus, Foster Wheeler, Bechtel, Davy Powergas and McKee—have rights to use British Gas technology in the U.S., the processes themselves being in competition with systems developed in Germany and Japan.

At the beginning of 1974 it was possible to count 44 possible orders for new gas plants. These projects were in various stages of planning but British Gas was confident that its process, tried and tested in many plants in the U.S. and elsewhere, would be used in perhaps half the units. These orders would not only have boosted British Gas royalties, but would have provided IGC with a major technological servicing commitment.

But the orders evaporated as the depth of the energy crisis became apparent. Politicians and the big petrochemical companies were worried that chemical complexes might run short of feedstock—oil-based products such as naphtha, ethane, propane and butane which are also used to make substitute natural gas in the current generation of gas plants.

The result is that no gas company, with one exception, can obtain a Federal licence to convert such refinery products into SNG. The exception is Indiana Gas which is looking at the possibility of building a small plant—possibly 30m to 60m cubic feet a day—on the outskirts of Indianapolis. It has a special five-year licence to use oil products because it has been able to show that it is replacing an older oil-based unit.

The U.S. Government view is that the oil products should be reserved for the chemical industry. There is a feeling that, compared with a chemical plant, an SNG unit is an inefficient way of converting a prime energy source. British Gas challenges this assumption, however. It reckons that petrochemicals plants achieve an energy conversion efficiency of 85 per cent (that is 15 per cent of the potential energy is lost in the conversion process) while SNG units achieve an efficiency rate of over 92 per cent.

The gas industry in the U.S. finds it hard to disguise the fact that, when it comes to the SNG question, it may be losing the fight to the more powerful petrochemical lobby. Gas companies must endeavour to meet the nation's growing energy needs from home produced natural gas and liquefied natural gas, although even here there are environmental constraints on development projects.

Mr. Mike Butler, a British engineer working for Davy International's U.S. subsidiary Davy Powergas believes that more SNG plants will be built in the U.S. only if there is *another gas shortage crisis.*

"The petrochemical lobby is fighting tooth and nail to prevent the gas industry getting their feedstock," said Mr. Butler who supervised the construction of a plant for Columbia Gas in Green Springs, Ohio. The five-year old plant, constructed with British Gas technology, still remains the biggest SNG unit in the world. It is capable of producing a total of 250m cubic feet of gas a day—enough to meet the needs of 500,000 average residential customers.

The plant, which is run on a mixture of ethane, propane and butane, also provides a pointer to another problem facing companies associated with SNG development. British Gas has been improving the catalyst used in the process to such a degree that the product — a nickel catalyst costing $5 a pound—is now lasting much longer than originally envisaged.

Chemical companies that have set up in the U.S. to make catalysts for SNG processes now find that not only is the market not growing as fast as expected, but also that the pace of re-ordering is slowing down.

British Gas Corporation is watching the operation at Green Springs closely. This plant and one built by Bechtel for North Illinois Gas at Minooka have worked particularly well since they were commissioned. One day, perhaps in the 1980s, British Gas may build a similar unit in the UK to augment production from offshore gas fields.

In the meantime research and development teams within the Corporation are working on alternative SNG processes: one involving the conversion of gas oil, the other—on a totally different principle—based on coal gasification.

The gasification of coal is seen as a long term commercial project, however. British Gas believes it could be 20 years before it is making a significant impact, an opinion supported by Mr. Butler. "Coal gasification is still at a comparatively early stage in its development," he said. If a coal gasification plant was to be built today it might cost $500m, some five times the cost of a conventional SNG plant. So, he said, he was surprised to see the U.S. Energy Department turning its back on gas plants using oil products but promoting the more "extreme" forms of alternate energy production such as coal gasification.

Bayer to sell Dow elastomers

By Sue Cameron

THE GERMAN Bayer group is taking over the European marketing of the U.S.-based Dow Chemical company's chlorinated polyethylene elastomers.

Dow Chemical manufactures chlorinated polyethylene elastomers—used in the production of rubber—in the U.S. and until now it has carried out its own European marketing. But in future Dow's elastomers will be bought by Bayer which will market them under its own name through its existing outlets for synthetic rubber and rubber chemicals.

The marketing operation will cover East and West Europe. Bayer says it does not yet know what quantities will be involved—this will depend on sales performance.

Dow and Bayer have also agreed to exchange information on the applications of chlorinated polyethylene which they have gained in their respective American and European markets.

Testing programme begins for Dubai dry dock

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

ONE of the largest construction projects in the Middle East, the Dubai dry dock complex being built by the Costain-Taylor Woodrow joint venture, moved a major step nearer completion over the weekend.

On Saturday, the contractors began a four-day controlled flooding programme as a preliminary to testing the dock gates—the largest weighing 850 tonnes—and operating winches.

The gate components were fabricated in Scotland, shipped to Dubai and welded on site. The flooding involves the working area between the outer cofferdam—which will eventually be removed—and the docks themselves. Once engineers are satisfied that the gates perform properly, water will be pumped into the docks.

Work began on the complex in 1974 and is due to finish on schedule early in 1979. The contract is valued at £162m but is, by completion, expected to have cost in excess of £200m.

When testing is finished, the contractors will be completing shoreworks and services.

The three drydocks involved have been designed to accommodate supertankers with capacities of 1m tonnes, 500,000 tonnes and 350,000 tonnes respectively. The complex will also provide repair and maintenance facilities for berthing eight very large crude carriers.

So far, Dubai has not appointed an operator for the dry dock, which is adjacent to the deep water harbour of Porth Rashid, on which the Costain-Taylor Woodrow joint venture is also working.

The two contractors are involved in a £120m programme to extend the port's existing facilities. Work started two years ago and is now half completed. When the extensions are finished, the port will accommodate 37 ships in 1,150 acres of enclosed water.

Swedes in N. Sea liner pact

BY WILLIAM DULLFORCE STOCKHOLM, July 2.

BROSTROEM, the Swedish shipping group, has resolved the problems of its North Sea liner trade operated under the Swedish Lloyd label by a long-term co-operation agreement with its new rival, Oden Line. From January 1 the two companies will operate jointly from Gothenburg four roll on/roll off vessels to Tilbury and Felixstowe and later in the year to a port in the north of England. The route will also cover Ghent in Belgium.

In April Brostroem announced that it was postponing delivery of two new ro/ro vessels from the Japanese Mitsui Shipyards *because of potential over-capacity* on the North Sea liner trade. It complained that Swedish state shipbuilding subsidies had enabled a newly established company to order three ships for use between Sweden and Britain.

This company was the Oden Line, owned by Nordsjoefrakt and Berndtssons Aakeri, which had obtained a five-year freight contract from Volvo, the Swedish motor manufacturer. The three ships to be delivered to Oden from Svenska Varv, the Swedish state shipbuilding company, constituted a serious threat to Swedish Lloyd.

Now Brostroem has announced an agreement, under which it will supplement Oden's three vessels with one of its own and Swedish Lloyd's current liner routes will be extended to a north of England port, serving northern and central England. Swedish Lloyd's existing facilities in Britain will continue to be used but the two Swedish shippers have agreed with Volvo to operate a new joint terminal at Aelvsborgshamnen near Gothenburg.

The agreement with Oden gives Brostroem the option to get in extra vessels, if the growth in freight warrants them. Swedish Lloyd currently operates two vessels, which were due to be replaced by the two ordered from Mitsui. It now hopes that North Sea traffic will expand sufficiently for the delivery in the middle of 1980, to join the four operating under the agreement with Oden.

Until the beginning of 1979 Swedish Lloyd's routes to Tilbury, Grangemouth and Ghent will continue to operate as at present.

China orders computers from Sperry Univac

NEW YORK, July 2.

CHINA has order two computer systems valued at more than $8m from the Sperry Univac division of Sperry Rand.

The computers ordered are Sperry Univac models 1100/11 and 1100/12 with related equipment and spare parts.

The 1100/11 system is to be installed at the University of *Science and Technology, Peking* division, for educational and research activities, with emphasis on the university's development of computer science programmes. The 1100/12 is intended for the Peking document service where it will form part of a central information system. Initially, the system will contain abstracts of all technical publications in China.

The orders represent Sperry's first computer orders from China, which previously had ordered data entry equipment. The sales are, however, subject to a U.S. Government review and approval by the Co-Ordinating Committee for export to Communist areas (COCOM). In the past, the U.S. Government had turned down computer sales to China but recently it has begun to liberalise its policies on trade and technical ties with Peking.

AP-DJ

UK oil shipments

BY OUR INDUSTRIAL STAFF

UP TO a third of Britain's North Sea oil exports have gone to the U.S., according to H. P. Drewry, the London shipping consultants.

The estimate comes in a week-end report on oil tanker movements to and from the North Sea oil fields. Excluding shipments within the UK and Norway area, a third of the tankers used on North Sea export trades discharged cargoes in the U.S., with the main destination the U.S. Gulf ports. A tenth of tanker movements discharged in the Caribbean, with the balance discharging on the Continent.

The report expects tanker demand from North Sea oil trades to more than double from 2.7m deadweight tons this year to 5.6m dwt in 1982, assuming Britain continues to permit the export of only one third of UK oil production.

The forecast tanker demand on North Sea trades in 1982 is equivalent to up to an extra 10 per cent of the current supply of tonnage in the 50,000 dwt to 125,000 dwt range now commonly used. The rise in demand on North Sea routes would be accompanied by a loss of 31m dwt of tanker demand on long-haul, routes from the Middle East via the Cape to Europe. By 1982 this downturn would be up to 53m dwt, mainly a loss of very large crude carrier demand.

The overall impact of growing North Sea oil production would be to prolong the tanker surplus and to concentrate it within the Very Large Crude Carrier range. Owners and charterers of smaller ships, however, would not be *immune. Increased* demand for lightering operations was likely to reduce demand for small and medium tonnage vessels.

World Economic Indicators

RETAIL PRICES

	May '78	Apr '78	Mar '78	May '77	% change over previous year	Index base year
UK	195.7	194.6	191.8	181.7	7.7	1974=100
Holland	120.0	119.8	119.0	115.9	3.5	1975=100
Italy	131.3	129.9	128.5	116.9	12.3	1976=100
France	197.4	195.8	193.4	181.1	9.0	1970=100
U.S.	193.3	191.5	189.2	180.6	7.0	1967=100
	Apr '78	Mar '78	Feb '78	Apr '77		
Belgium	126.8	126.7	125.4	120.5	5.2	1975=100
W. Germany	145.0	144.5	144.2	141.5	2.4	1970=100

SHIPPING REPORT

Interest centres on Gulf market

By Lynton McLain

RISING ACTIVITY in world markets continued last week amid fears that the modest slowdown at the end of the period would follow through into July.

Medium size tonnage was well represented in the market and the major interest centred on the fortunes of the larger carriers from the Gulf. Brokers said at the weekend that the volume of very large crude carriers and ultra large crude carriers available for July was the lowest for one month for a long time, at 2.18m tons.

One major factor in the improvement in the Gulf was the breaking of the monopoly held by the U.S. charterers and Continental charterers by a London major who fixed a 320,000 ton vessel at the increased level of Worldscale 21 for western discharge. Before this, a 275,000 ton vessel which had been waiting for a cargo in the Gulf since March 4, obtained the improved Worldscale 25 for slow speed steaming, and up to Worldscale 27 for 15 knots.

Mediterranean and West African inquiries were steady during the week, but with a slightly weaker dry cargo sector, more combination carriers were seeking oil cargoes to the U.S. The result was that rate levels did not show the increases brokers had expected.

U.S. charterers paid Worldscale 40 for a 79,000-ton ship and Worldscale 55 for a 60,000-ton cargo.

On the dry cargo markets, there was little renewal of grain activity, but rates held up on *miscellaneous demand. Owners* are more optimistic that the market would now hold through the summer at current levels. Far East markets however, have shown signs of weakness, especially for tween deck tonnage.

Ore trades in the Far East produced three large bulker fixtures at declining rates. It was also a thin market for ore trades in the Atlantic, with the rates from West Africa to the Continent down 50 cents. In Atlantic coal trades there was only limited acitvity.

Renault in Bolivia

Renault has been awarded a concession to build cars in Bolivia for sale throughout the Andean common market, Reuter reports from La Pas. The contract with Renault, and another wih. Mercedes Benz, to build trucks will be signed next month, the government said. Meanwhile in Caracas the Venezuelan Government has awarded Renault and General Motors exclusive rights to manufacture six cylinder engines to meet Venezuela's assignment under the vehicle programme.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current—July 28	International Wool Secretariat's "Wool Interiors"	Carlton Gardens, S.W.1
Current—July 6	Royal Show—National Agricultural Centre	Kenilworth
July 5—7	Motortradex '78—Exbn. for retail motor trade	Bristol
July 10—15	British Open Golf Championship Exhibition	St. Andrews
July 11—13	Great Yorkshire Agricultural Show	Harrogate
July 11—14	BMA Annual Pharmaceutical Exhibition	Cardiff
July 12—29	Royal Tournament	Earls Court
July 16—20	Harrogate Gift Fair	Harrogate
July 18—20	East of England Show	Alwalton
July 19—20	British Association for Commercial and Industrial Education: Training Exhibition	Imperial College, S.W.7
July 19—30	World Wine Fair	Bristol
July 21—29	Middle East Business Expo '78	Grosvenor House Hotel, W.1
July 24—29	Brighton Antiques Fair	Corn Exchange, Brighton
July 25—27	Royal Welsh Show	Llanelwedd
Aug. 2	Third National Sheep Demonstration	Kenilworth
Aug. 13—17	International Gifts Fair	Olympia
Aug. 22—24	Education and Communication Technology Exbn.	Holland Park School, W.8
Aug. 13—17	International Motor Cycle Show	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current—July 9	International Rehabilitation of the Handicapped, Exbn. and Congress	Basle
July 4—6	Third Int. Conf. and Exbn. on Marine Transport using Roll-on/Roll-off Methods	Hamburg
July 10—14	First International South African Training and Education Symposium and Exhibition	Johannesburg
July 18—26	Photographic and Audio Visual Exhibition	Tokyo
Juyy 25—Aug. 20.	*International Fair*	*Damascus*
Aug. 30—Sept. 3	16th Overseas Import Fair	Berlin
Sept. 5—8	Third International Offshore North Sea Technology Conference and Exhibition	Stavanger

BUSINESS AND MANAGEMENT CONFERENCES

July 4	European Study Conferences: Computer Fraud—Protection of Computer Use from Plagiarism and Abuse	Hilton Hotel, W.1
July 4	Executant: The Pearson Report—Liability for Product Safety	Hotel Russell, W.C.1
July 4	Business Perspectives: Implications of the Finance Bill	London Tara Hotel, W.8
July 4—5	Brit. Inst. Mngt.: Rapid and Efficient Reading	Parker Street, W.C.2
July 4—6	Manchester Univ.: Textiles in Civil Engineering	Manchester
July 4—6	Anthony Skinner Mngt.: D. P. Fnncl. Syst. Control	Café Royal, W.1
July 5	Lenorfern: Print Buying Professionally	Mark Lane, E.C.3
July 5	Council of British Manufacturers of Petroleum Equipment: Safety Offshore (lunch address by Home Sec.)	Café Royal, W.1
July 5	Local Authorities Management Services: Mini-computers and Housing	Sussex Place, N.W.1
July 5—6	*Inst. of Marketing: White Collar Trade Unions and* Sales Management	London Penta Hotel, S.W.7
July 5—7	Fairleigh Dickinson University: Financial Considerations Large Projects in Arab Countries—Water, Telecommunications and Power	London Hilton, W.1
July 6	European Study Conferences: Tax Planning for the Family Business	London Hilton, W.1
July 6	Interface Mngmnt. Resources: Employment Law	London Hilton, W.1
July 6	Inst. of Personnel Management: Productivity—A Conflict of Interests	Reading University
July 6	Lenorfern: Colour in Print	Mark Lane, E.C.3
July 7	Brit. Inst. Management: Interpreting Accounts to the Non-Financial Manager	Parker Street, W.C.2
July 9—14	Bradford University: Management Information and Modelling Systems	Bradford
July 9—14	Bradford University: Effective Advertising Management	Bradford
July 10	P-E Manufacturing & Personnel: One week's course on the Art of Management	Egham, Surrey
July 10	London Chamber of Commerce: Business Forum—Advertising Strategy in the Middle East	Cannon Street, E.C.4
July 10—13	Govt. of Ontario: World Conference of Future Sources of *Organic Raw Materials*	Toronto
July 10—21	Financial Times: Financial Management for the Non-Financial Executive	City University, London E.C.1
July 11	Anthony Skinner Management: The Legal Aspects of Buying	Piccadilly Hotel, W.1
July 11—12	AMR International: Successful Negotiating, Strategies and Performance	Royal Garden Hotel, W.8
July 11	AGB Conference Services: Taxation and the Higher Paid—a workshop on Fringe Benefits	Inst. of Directors, S.W.1
July 11—12	Lenorfern: Cost Effective Print in Marketing	Mark Lane, E.C.3
July 11—12	European Study Conferences: Corporate Liability for Defective Products (Pearson Report)	Kensington Palace Hotel, W.1
July 11—12	Anthony Skinner Management: Improving Employee/Management Communications, Improving Negotiating and Bargaining Skills in Industrial Relations	Café Royal, W.1

This week's business in Parliament

TODAY

COMMONS—Debate on the threat to patients from disputes in the National Health Service. Debate on rural planning in Northern Ireland.
Proceedings on Representation of the People Bill. Theft Bill (Lords), remaining stages.
LORDS—Debate on low productivity. Debate on independence for Dominica.
SELECT COMMITTEES—Expenditure. Education, Arts and Home Office Sub-committee. Subject: Prison system. Witnesses: British Association of Social Workers, Lord Harris. 4.15 pm. Room 6.

TOMORROW

COMMONS—Debate on Opposition motion on employment. Debate on guillotine motion on Scotland Bill.
LORDS—Debate on approximation of laws in the EEC. Motion on the case of Mr. D. C. Anderson QC. Debate on possibility of U.S. tanker aircraft at Fairford.
SELECT COMMITTEES—Nationalised Industries. Sub-committee A. Subject: Rural bus services. Witnesses: Mr. John Horam, Under-Secretary for Transport, and officials. 4 pm. Room 8.

WEDNESDAY

COMMONS—Finance Bill, report stage. Lords amendments to State Immunity Bill (Lords).
LORDS—Local Government (Amend) Bill, report stage. Wales Bill, report stage. Rating (Disabled Persons) Bill, report stage. Consumer Safety Bill, report stage.
SELECT COMMITTEES—Nationalised Industries. Sub-committee C. Subject Independent Broadcasting Authority. Witnesses: Independent Broadcasting Authority, Lord Harris of Greenwich. 4 pm. Room 8. *Parliamentary Commissioner* for Administration. Subject: Ombudsman, review of access and jurisdiction. Witnesses: Civil Service Pensioners' Alliance. 5 pm. Room 7.

THURSDAY

COMMONS—Lords amendments to Scotland Bill.
LORDS—Wales Bill, report stage.
SELECT COMMITTEES—Expenditure Trade and industry sub-committee. Subject: Measures to prevent collisions of noxious cargo carriers. 10.30 am. Room 16. Race Relations and Immigration. Subject: Effect of EEC membership on race relations and immigration. Witness: UN High Commissioner for Refugees. 4 pm. Room 6. Science and Technology, General purposes sub-committee. Subject: Government observations on third and fourth reports of the Select Committee, session 1976-77. Witnesses: Mr. Anthony Wedgwood Benn, Energy Secretary, Sir Hermann Bondie, Chief Scientist. Department of Energy. 4.30 pm. Room 15.

FRIDAY

COMMONS—Appropriation (No. 2) (Northern Ireland) Order and Northern Ireland (Financial Provisions) Order.
LORDS—Wales Bill, report stage.

HOME NEWS

Tories clear decks for autumn election

BY RICHARD EVANS, LOBBY EDITOR

A NATIONAL CAMPAIGN is being launched by the Conservative Party today to recruit new members willing to commit themselves to active work for the party before an October election, should there be one.

It is the latest in a series of moves by the Tories to ensure the party is fully prepared for what leaders regard as the inevitable autumn campaign.

Mrs. Thatcher, Conservative leader, held the latest in a series of meetings with senior colleagues at her London home at the week-end to debate strategy. Discussions centred on the need to emphasise the party's wish to avoid confrontation with the unions over industrial policy.

The party's manifesto is already in draft form although it has not been considered as a whole by the Shadow Cabinet and work will be completed by the end of next month.

Transport House has also been increasing the tempo of its election preparations, and Labour Party agents have been told to tighten up their organisation and to build up campaign funds fast.

An attempt is being made by Left-wing members of the party's National Executive Committee to hold a joint meeting with the Cabinet later this month to start drafting the manifesto.

But Mr. Callaghan might be unwilling to commit himself to discussing details before September. The less time there is before an election the less scope there will be for the NEC to press policies Mr. Callaghan regards as electorally damaging.

Recruiting

The novel Tory recruiting campaign is to persuade every known party supporter to join and to commit him or herself to eight hours' work before the campaign and a further eight hours during the election itself.

In a "personal invitation" from Mrs. Thatcher, supporters are asked to make a contribution to the party in a number of ways ranging from clerical help, distributing leaflets and displaying posters to driving cars and becoming trained canvassers. The campaign is being run this month, next month and September.

On the Parliamentary front, Conservative leaders plan to step up their attacks on the Prime Minister and Mr. Denis Healey, Chancellor, in the knowledge that during the long summer recess the political pendulum tends to swing in the Government's favour.

The first target will be the Government's employment record, which the Tories have chosen as the subject for debate in the Commons tomorrow. Sir Keith Joseph, shadow Industry Secretary and Mr. James Prior, shadow Employment Secretary will be the main Opposition speakers.

There is a chance that the Conservatives will keep Parliament sitting into August because of the need to give prolonged debate to the Scotland Bill—a measure Ministers feel they must get on to the Statute Book before the next election.

Rodgers to discuss future of London's Upper Docks today

BY PAUL TAYLOR

MR. WILLIAM RODGERS, Transport Secretary, will meet a delegation from the Port of London Authority and the dock unions this morning to consider the future of the Upper Docks.

Mr. Rodgers has before him a joint document submitted by management and the eight unions detailing areas of agreement which have emerged from weeks of discussions on the financial plight of the docks.

He has not, however, had time to study an independent audit prepared by accountants Price Waterhouse, at the request of his department, on the accounts supplied by the authority to justify its closure plans.

The joint document lists areas of agreement between the authority and unions, but these areas remain fairly limited and fall far short of Mr. Rodgers' original request for a plan to ensure the financial viability of the docks by 1982.

The main area of disagreement between the two sides remains the question of closures. The authority still considers that one of the two dock complexes must be closed this year if future viability is to be a realistic aim.

More weight is added to the argument that a final solution must be found for the Upper Docks by the customers who, after years of uncertainty and labour problems, are already expressing interest in transferring to Tilbury.

Mr. Rodgers is expected to discuss the joint document with the delegation at today's meeting, but it is unlikely that he will publicly commit himself to a particular course.

He has already made it clear that before discussions with other Ministers, probably in the Cabinet's economic and industrial committee, he will wish to see the authority's own preferred scheme for the docks.

Any comments made by Mr. Rodgers at the meeting will be discussed later today at an authority board meeting.

Mergers policy 'hinders industry'

By Kenneth Gooding, Industrial Correspondent

BRITAIN'S competition policies sometimes stand in the way of attempts to make manufacturing industries more effective, says a paper to be presented at the National Economic Development Council meeting on Wednesday.

The National Economic Development Office's industrial strategy programme has often pointed to areas where industries need some restructuring or where there could be co-operation between competing companies in overseas marketing for example, it adds.

The paper, to be presented by Mr. Geoffrey Chandler the new director-general, at his first full council meeting, says that the Monopolies and Mergers policy and the legislation covering cartel arrangements sometimes stand in the way.

There has been some dismay at NEDO that the recent Government Green Paper seemed to indicate that a tougher line would be taken in future over proposed mergers.

Cartels claim

It is understood that the NEDO paper, based on work for the Office by Mr. Alan Hughes, a Cambridge economist, suggests that the evidence the Green Paper relies on is not sufficient to justify a more aggressive approach.

On "restricted agreements" or cartel arrangements, NEDO says that these can operate in the public interest. Yet companies are put off by the judicial investigation they must face before completing such arrangements.

There is a strong case for exempting small and medium-sized companies from the competition legislation, NEDO believes.

The Government, it says, should certainly produce much firmer guidelines about how far smaller companies might go without running foul of the competition procedures.

LABOUR NEWS

Committee urged to study 'unions for senior staff'

BY ALAN PIKE, LABOUR CORRESPONDENT

THE COMMITTEE of inquiry into the engineering profession is being urged to include the complex problem of trade union membership for senior staff in its report.

Controversy over attempts by the Confederation of Shipbuilding and Engineering Unions and the Engineering Employers Federation to restrict recognition to established unions has been intensified by Friday's High Court decision in which an Advisory Conciliation and Arbitration Service report supporting this view was declared void.

The call for the committee to include trade union organisation in its inquiries comes in evidence published yesterday by the Engineers and Managers Association, a TUC-affiliated union fighting for recognition on behalf of senior staff in the engineering, shipbuilding and related industries.

In its evidence, the association recalls that two years ago the Council for Engineering Institutions recommended professional engineers to join appropriate unions which had primarily professional membership.

It was, says the association, relevant to draw the committee of inquiry's attention to the way these recommendations were being "resisted and opposed in practice."

Frustrated

"The effect of present attitudes in the engineering industry is to confine professional and managerial staffs to joining unions in which they will necessarily be no more than fragmented minorities, or else to ensure that they will simply be unrepresented.

"The attempt to frustrate the clear desire of many of these staffs—we believe the great majority—from supporting or forming a union specifically concerned to represent them in their own right is, we believe, damaging to the prospects of the engineering profession and to British industry."

On Friday, the High Court declared void an ACAS report which failed to recommend recognition for the non-TUC affiliated United Kingdom Association of Professional Engineers at the Bedford works of APE-Allen.

A survey showed strong support for the association among staffs whom it wished to represent, but ACAS decided against making a recommendation after taking account of the likely effect of recognition on industrial relations.

The United Kingdom Association of Professional Engineers has about a dozen other recognition references pending with ACAS and the Engineers and Managers Association a further 15.

Many of these raise similar principles to the APE-Allen case. The ACAS council must, as well as reconsidering its position on the report declared void by the High Court, decide how it is to proceed with these. The council will also consider whether to appeal.

Leaders of the engineers' association will also be discussing the extent to which the High Court decision may affect another recognition reference to ACAS, this time involving engineers in the water industry which they lost recently.

The engineers' association again emerged from a survey with substantial support in the area in which it wished to organise but failed to win a recognition recommendation in the face of hostility from the National and Local Government Officers Association.

On a wider plane, the latest developments will increase discussion about the effectiveness of the Employment Protection Act recognition procedures.

The federation believes that they should be repealed, leaving ACAS to concentrate on its conciliation work.

Optical cable deal won by GEC

BY MAX WILKINSON

GEC HAS won what it claims to be the first competitive contract for an optical cable system.

It will transmit telephone calls by means of light pulses down a bundle of hair-thin glass fibres.

GEC is to supply seven kilometres of such cable to London Transport to be installed on the District Line between Earls Court and Acton stations.

The contract awarded to Telephone Cables Limited (TCL) a GEC subsidiary, is for four optical fibres together with all necessary terminal equipment. They will carry 120 simultaneous speech channels by means of pulses of light transmitted at the rate of 8m per second.

GEC is proud of the fact that it has developed its glass fibre to a high degree of purity independently of any other optical fibre research elsewhere in the world. It believes its cables have lower loss than those of its competitors.

Most other companies, including Standard Telephone and Cables (ITT's British subsidiary) have been concentrating on use of ..lled fibres for trunk telephone routes, where a highly concentrated laser light source is used.

However GEC has put a lot of research effort into the use of low-powered but cheaper and more reliable light emitting diodes as the source. GEC foresees an extensive market for optical fibre systems where distances are short.

One of the advantages of optical cable is that it is immune from electrical interference from other wires in the same duct.

Optical fibres also have a much higher capacity than conventional telephone conductors, and require fewer repeaters to boost signals along the line.

For example, GEC's line being installed for London Transport does not need any repeaters along 7kms. A comparable link using copper, would need a repeater to amplify signals every 2-3 kilometres.

Building societies reject bank criticism

By Our Industrial Staff

BUILDING SOCIETIES have been successful because they provide the service people want rather than because of any unfair tax advantage, the Building Societies Association claims today.

Returning to the heated debate it has been having with the clearing banks, the association combines a rejection of the criticism about the growth of its branch office system with a not-too-subtle dig at the clearers about Saturday opening.

"In order to be successful, societies have had to open branch offices in places where people will use them and keep these offices open at hours which are convenient to the public," it says.

An article in Building Society Affairs, published by the association today also says that the main beneficiary of the composite rate tax system, about which the clearers have complained, is the Inland Revenue "which is relieved of the necessity to assess, separately, the tax liability of some 20m building society investment accounts."

On interest rates, the association suggests the main reason building societies are able to offer a very competitive rate to investors is that they operate in a very specialised line of business.

The article also implies that the clearing banks have nothing to complain about, in any case, because it is mainly the National Savings movement which has suffered as the societies built up their share of the short-term savings market.

● June proved to be another bad month for the building societies and net receipts probably fell below £140m compared with the £330m lending target. The increase in the investment rate at the week-end, from 5.5 to 6.7 per cent, is expected to stop the decline.

Amoco Cadiz board to consider report

THE LIBERIAN Government board of inquiry into the Amoco Cadiz disaster meets today behind closed doors to consider the evidence at the 21-day hearing which ended in London on Saturday writes Paul Taylor.

The board, chaired by Sir Gordon Willmer, a former High Court Admiralty judge, is expected to produce a three-part interim report in the autumn.

It will cover reasons for steering gear failure on March 16 which left the Amoco Cadiz drifting toward the Breton coast; the dispute over alleged delay by Capt. Pasquale Bardari, her master, in sending an emergency call for help; and the final phase, as the Bugsier salvage tug Pacific failed to prevent her grounding.

On Saturday Sir Gordon made it clear that Capt. Bardari was the only member of the Amoco Cadiz crew likely to be disciplined. The board was considering disciplinary action against Capt. Bardari because of failure by him to call for assistance earlier.

The board, which reports to the Liberian Commissioner for Maritime Affairs, has power to recommend that Capt. Bardari lose his licence.

In summing-up speeches Dr. Frank Wiswall, counsel for the Liberian Government, told the board that Capt. Bardari should not be made a scapegoat but be judged only on any "unreasonable or inexcusable errors he made."

Mr. Alistair Stewart-Richardson, for Capt. Bardari, said he should not be criticised because he "behaved very sensibly."

Mr. Sidney Kentridge, for Capt. Hartmut Weinert, master of the tug, said he and his crew had done their best. To criticise him or his owners would have serious and undesirable consequences on the salvage industry.

Regional living standards continue to even out

BY DAVID FREUD

REGIONAL differences in living standards continued to narrow through the middle of the decade, according to figures released today.

Economic Trends, official publication of the Central Statistical Office, says that whereas in 1974 the richest region was 50.9 per cent better-off in terms of personal disposable income than the poorest, the gap had narrowed to 39.1 per cent by 1976.

The general trend was for the richer regions to have a relative decline, while the poorer ones did relatively better.

"The redistributive effects of personal taxes and of benefits have resulted in some narrowing of the regional differences of disposable income per head in recent years, reinforcing the movements in incomes before tax which have also tended to favour the poorer regions."

The two poorest regions in 1974 in terms of disposable income, Northern Ireland and Wales, had increased well above the national average.

The two received a relatively high proportion of personal incomes in the form of State benefits.

The South-East region, the richest, saw a relative decline in disposable income over the period, though it still received about 10 per cent more personal income after tax per head than the UK as a whole.

Simplify health service administration—staff

BY DAVID CHURCHILL

NATIONAL HEALTH SERVICE administration should be substantially simplified, the Royal Commission reviewing the service has been told in a report from a specially-commissioned survey of people working in the service.

The 233-page report recommends that health authorities should "remove levels of administration, many of which are known to fail to contribute towards efficient working." In addition, it calls for greater delegation of authority and streamlined decision-making.

Its conclusions come in the week the health service celebrates the 30th anniversary of its setting-up on July 5, 1948. The celebrations, however, have been marred by industrial disputes within a number of hospitals recently as well as an unenthusiastic response by the medical profession to agreeing a declaration of faith in the service.

This declaration had been sought by Mr. David Ennals, Health Secretary, but has been snubbed by the British Medical Association, which is likely to be joined by the various royal colleges.

Mr. Ennals is unwell and is likely to have to miss Wednesday's celebrations: he was re-admitted to Westminster Hospital, London, at the weekend for further treatment of a thrombosis of the leg, and is expected to remain in hospital for about a week.

The Royal Commission, chaired by Sir Alec Merrison, is due to publish its report on the future of the health service early next year. It commissioned its own independent report by a team from Brunel University to put in perspective some of the 2,000 submissions it has received.

The Brunel survey, based on interviews of those working in the health service and depth case studies, found "a great deal of anger and frustration at what many regard as a seriously over-elaborate system of government, administration and decision-making."

The survey's main conclusion was "of a top-heavy and over-elaborate management system. There are too many levels of administration and too much duplication of functions at the different levels."

Tea prices cut by Sainsbury's

SAINSBURY'S is to cut the price of tea in its supermarkets from Wednesday. Its Red Label tea will cost 19p a quarter (down from 19½p) and 37p for a half pound (down from 38½p). Quarter pound Brown Label is down to 17½p (from 18p).

Plessey jobs plea by MP

QUESTIONS ARE to be asked at Westminster this week about fears that Plessey is to axe another 900 jobs at its telecommunications group headquarters plant in Edge Lane, Liverpool. Management and unions at the plant are to meet on Wednesday.

Mr. Edward Loyden, Labour MP for Liverpool Garston and secretary of the Labour group of 16 Merseyside MPs, said yesterday that he would table the questions because of the serious concern in the area. He wrote at the weekend to Mr. Eric Varley, Industry Secretary, and Mr. Albert Booth, Employment Secretary, seeking clarification.

About 4,500 people are now employed at Edge Lane.

Next pay guideline 'likely to be 8%'

By Michael Blanden

MR. DENIS HEALEY, the Chancellor, is likely to announce a voluntary and flexible guideline for earnings growth of about 8 per cent for the next incomes policy phase, stockbrokers Phillips and Drew argue today.

In their latest economic forecasts, the brokers are reasonably optimistic about the outlook for economic growth during the current year, but rather less hopeful about next.

They see little scope for a reflationary package in the next spring Budget and expect that the Government will merely index tax allowances to offset fiscal drag. There is also "danger of over-expansion should the savings ratio begin to fall."

The brokers forecast pay settlements averaging about 11-13 per cent in the next round, with inflation rising slightly towards the end of the year.

Gilts auction urged

AN AUCTION for selling gilt-edged stocks is proposed by stockbrokers Savory Milln to enable the Government to fund its borrowing requirement.

In their latest monetary commentary, the brokers argue that the Government cannot rely solely on reintroduction of corset controls over the banks to bring the money supply firmly under control. Other moves are necessary, including better handling of the gilt-edged market.

The recent financial measures indicate "the Government's determination to maintain control of the financial situation through to the autumn," Dr. David Lomax, economic adviser to National Westminster Bank, says today.

In his latest assessment of the UK economic outlook, Dr. Lomax sees the main threat to the package as being a rapid rise in U.S. interest rates, putting further pressure on UK rates.

The small company, at present the subject of extensive interest by the Wilson Committee and the City institutions, requires further detailed statistical study, Mr. Peter Johnson, of Durham University, writes in today's issue of Lloyds Bank Review.

Civil servants seek London pay rises

BY NICK GARNETT, LABOUR STAFF

PUBLIC SECTOR unions are preparing claims for big increases in wage supplements to London staff because of the latest cost-of-living figures.

Civil Service unions said yesterday that an initial examination of the figures indicated that claims of slightly over £200 for staff in inner London and about £100 for workers in the outer suburbs would be justified.

Teachers' unions have already submitted an extra weighting claim for London staff which is due to go to arbitration this month.

The National and Local Government Officers' Association will probably submit its claim in September, once the teachers' settlement is known. It already has a claim on the table, but will update it in line with the new figures in the Advisory Report on London Weighting.

Public sector pay is likely to have repercussions on London pay weighting in private industry.

Increases in London weighting have been prevented by pay policy since the middle of 1975.

The Civil Service unions have said that they will seek rises on these allowances, which stand at £465 for inner London and £275 in outer areas, outside the framework of national pay negotiations. A very large proportion of civil servants would be affected.

The unions say their members would be furious if the Government refused to take the issue to arbitration, which it has the power to do.

Wage rates on which rises in this year's annual Civil Service agreement were calculated did not include London weighting.

There is therefore some money put aside, in effect, to cover increases in London weighting, though not enough if a settlement approached what is likely to be the union claim.

Laycock staff win 12½% increase

By Our Labour Staff

TECHNICAL STAFF at Laycock Engineering, a subsidiary of GKN, have been awarded a 12½ per cent pay rise backdated to January, by the Central Arbitration Committee.

The claim, for 23 per cent, was submitted by TASS—the white-collar section of the engineering union—under Schedule II of the Employment Protection Act.

The union said yesterday that the award would bring the salaries of its member in Laycock up to the general level of comparative staff within the Sheffield area.

Consumer boom likely to be short-lived

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE CONSUMER boom is likely to be short-lived with a slowdown in the rate of growth of output next year. But there will be an acceleration in inflation and a deterioration in the current account next year.

These are the main conclusions of the latest forecasts in the London Business School's Economic Outlook, published today.

The school argues that a rise in consumption has already pre-empted the main benefits of North Sea oil. Although the current account is expected to be in a surplus by nearly £650m this year, this will be followed by a deficit of just over £50m in 1979 and approaching £1bn in each of the two following years.

The rate of price inflation is expected to accelerate later this year, with the average increase in consumr prices rising from 8.8 per cent in 1978 to 11.7 per cent next year, principally reflecting the recent fall in the exchange rate.

The school suggests that the recent credit squeeze will allow the exchang erate to be held at about its current level until well into next year. But, unless policies are changed, the rate will decline by 4 per cent a year after that. This reflects the current tendency towards fiscal expansion which will result in faster monetary growth next year.

Public sector borrowing in 1978-79 should be just below the Government's ceiling of £8.5bn in the current financial year. But borrowing will rise to about £10bn next year as a result of the rise in public spending and the likelihood that public sector pay settlements will be higher than officially forecast.

The forecasts assume that direct and indirect tax levels are adjusted each year in line with inflation and the continuation of existing public spending plans. The Economic Outlook was prepared before last week's decision to reduce the proposed rise in the employers' national insurance surcharge from 2½ to 1½ per cent.

The monetary guidelines should be met in the current financial year with the growth of the money supply likely to be just below the upper limit of 12 per cent though domestic credit expansion is expected slightly to exceed the £6bn limit.

However, money supply is expected to increase by about 13 per cent a year after that with higher domestic credit expansion as well.

The school notes that its view of the economy has changed compared with its previous analysis in February.

The rapid growth in the money supply earlier in the year — responsible for a lower exchange rate than forecast in February— is boosting demand currently. But the effect later in the year will be an acceleration of inflation which will coincide with the monetary squeeze. This will produce a much slower growth of output in the first half of next year.

LONDON BUSINESS SCHOOL FORECASTS % annual change in real terms	1978	1979	1980	1981
Consumer Spending	4.6	2.5	2.3	1.5
Private fixed investment (excluding homes)	4.1	1.2	4.7	0.8
Public spending on goods and services	2.2	2.3	2.5	1.8
Exports	2.9	4.7	6.6	4.4
Imports	7.6	6.4	6.7	5.2
Gross Domestic Product:				
at 1970 prices	2.4	1.8	2.8	1.6
at 1975 prices	3.0	2.5	3.2	2.0
Consumer Prices	8.8	11.7	10.2	11.4
Money supply (M3)	15.5	12.2	14.0	12.8
Current Account (£m)	648	−52	−896	−984

Growth this year will be higher than expected in February but expansion in 1978 and 1979 taken together will be rather lower.

In a special article in the Economic Outlook Dr. Alan Budd and Mr. Terry Burns of the school's centre for economic forecasting examine recent policy and point out that there is now a two-year cycle of monetary stop-go.

They maintain that the money supply is being expanded rapidly in periods of low inflation and then squeezed severely ... the inevitable inflationary effects are felt. The whole process from go to stop and back takes two years.

In the latest cycle the money supply was over-expanded in the last half of the financial year 1977-78 and tight money can be expected to bite on rising inflation in 1979.

The article suggests that the Government is introducing a dangerous degree of instability into its policy and calls for a clear fiscal strategy within a consistent monetary framework.

This must recognise that "an improvement in the inflation rate and the current account is not the signal for renewed expansion but will merely add a further lurch to policy. Expansion can and will take place automatically as the inflation rate slows down and interest rates fall, and attempts to control the exchange rate by intervention can have massive destabilising effects.

"Fiscal restraint need not cause, and has not caused, the dire effects on output and employment that have been predicted, while being the essential condition for a balanced anti-inflationary plan."

In another special article Prof. Jim Ball, principal of the school, surveys the forecasting performance of his own organisation, and of the Treasury and the National Institute. He maintains that, apart from 1975 when forecasters throughout the world failed to predict the extent of the recession, forecasting performance has been creditable and there is not much to choose between the separate teams.

On an annual basis, the growth of Gross Domestic Product (excluding 1975), has been forecast within 1 per cent on average and the growth of consumption has been forecast within ½ per cent.

World industrial production is expected to grow at below its trend rate both this year and next, but there will be the usual cyclical upturn in the second half of 1979 so that 1980 and 1981 will be years of above average growth.

World output is projected to grow by 3.1 per cent in real terms this year followed by a 3.5 per cent rise in 1979, following expansion of 4 per cent last year.

Economic Outlook, annual subscription £35: Gower Press, 1, Westmead, Farnborough, Hampshire, GU14 7RU.

Church thefts on increase

THEFTS FROM churches have reached unprecedented levels in number and cost, Mr. Allan Grand, chairman of the Ecclesiastical Insurance Office, says in his statement accompanying the latest report and accounts.

The problem was a new one for church officials and, he feared, a permanent one. All those responsible for church property should review precautions against theft as a matter of priority.

The company is the leading insurer of Anglican church buildings and property in the UK.

Mr. Grant warned against paying for advice from private security companies. At best, they could provide no more than the police. At worse, they could prove an expensive luxury.

BBC programmes hit

BY OUR LABOUR STAFF

THE BBC's television transmission of the John Player League cricket match between Derbyshire and Glamorgan was disrupted yesterday by the national overtime ban started at the weekend by the Post Office Engineering Union. The programme was carried with no commentary.

The ban, which has been operated in Scotland for more than a week, prevented transmission of BBC Radio 4's Any Questions? on Friday night.

An outside broadcast of the programme from Aviemore was moved to BBC studios in Edinburgh because of uncertainty over transmission lines.

Members of the Association of Broadcasting Staffs in Edinburgh in sympathy with the Post Office engineers, would not co-operate with the transmission.

The union has been in a nine-month dispute with management over a claim for a 35-hour week and has been refusing to commission new exchanges. The dispute has worsened since management began sending engineers home for allegedly broadening sanctions.

● The Association of Cinematograph, Television and Allied Technicians has begun balloting its members over proposals to amalgamate with the Association of Broadcasting Staffs.

Fleet St. pay offer rejected

THE INSTITUTE of Journalists has decided to follow the National Union of Journalists in giving six months' notice to the Newspaper Publishers Association of termination of the national agreement between the two bodies.

Meeting in London on Saturday the institute's salaries and conditions board decided overwhelmingly to reject the NPA offer of a new minimum salary of £4,750 a year.

The NUJ had earlier rejected the offer, saying it did not realistically reflect salaries paid to Fleet Street journalists.

APPOINTMENTS

French group plans extension in UK

TECHNIP, a leading French international engineering and contracting group is extending its activities in the UK. The group's London advisers, SCRIMGEOUR HARDCASTLE AND CO., has appointed Dr. Peter S. Houston to develop the group's collaboration with UK industry. Particular emphasis will be placed on developing closer links with companies taking decisions in the UK affecting their activity overseas.

Technip's main area of activity has been in the hydrocarbons, chemicals and fertiliser industries, but in recent years the group has been increasingly active in other process industries including pharmaceutical and agrochemical products, brewing and cement. In the offshore business area, the group works through its subsidiary company, Technip-Geoproduction, which recently signed an agreement with Redpath Dorman Long to create a new offshore engineering company in the UK.

★

Mr. H. J. Thomson, a director of BARTON AND SONS, Dudley, the steel tubing, steelwork and general engineering group, has retired from the board, but will remain a consultant for two years. Mr. F. J. Meldrum, group director and managing director of Barton Abrasives and John Lawrie and Co. (Aberdeen), becomes executive chairman of the two companies. Mr. J. A. Moore, assistant managing director of Barton Abrasives, becomes managing director of that company.

★

Mr. Neville Drane has been appointed regional executive director of NATIONAL WESTMINSTER BANK'S eastern region, based in Nottingham. The assistant regional director since 1975, he succeeds Mr. George Gregory, who retires on July 31.

★

Mr. Alex Houseman, chairman of W. E. Canning, and deputy chairman of PE Consultants, has been appointed a non-executive director of RECORD RIDGWAY, Sheffield manufacturer of craftsmen's hand tools. Mr. Bernard Feather, manufacturing director of Record Ridgway Tools has become a director of Record Ridgway, and deputy managing director of Record Ridgway Tools. Mr. William Bingham, financial director of Record Ridgway Tools, has been appointed group finance director and a member of the Board of Record Ridgway. Mr. T. J. Dengel has relinquished his appointment as finance director of Record Ridgway to become managing director of Standall Tools.

★

Mr. A. N. Burman has been appointed a director of CLIVE DISCOUNT HOLDINGS, and Mr. D. C. Damant has been appointed a director of Clive Investments.

★

Mr. J. Peter Frost has now become chairman of the THOS. W. WARD group of companies following the retirement of Mr. Douglas Walton.

★

BL COMPONENTS, which today began operating as an autonomous company within the newly decentralised BL Cars activity, has announced its Board of directors. Executive directors: Mr. P. W. McGrath, managing director, BL Components; Mr. J. R. Symonds, managing director, Pressed Steel Fisher; Mr. J. M. Neill, managing director, Unipart; Mr. T. J. Worrall, managing director, SU-Butec; Mr. D. R. R. Rutherford, managing director, foundries division; and Mr. J. L. Atkinson, director, salaried personnel. There are three non-executive directors: Mr. C. J. Daniel, director, finance/systems, BL Cars; Mr. W. A. McLean, director, employee relations, BL CARS; Mr. H. J. Musgrove, director, manufacturing, Austin Morris.

★

MAYNARDS, manufacturing confectioner and retailer of confectionery, tobacco, newspapers and toys, announces the following Board changes. The retirement of deputy chairman Mr. George de Galleani, and the appointment to the Board of Mr. Robert G. F. Vincent, divisional sales director of Maynards' manufacturing division, and Mr. Thomas W. White, divisional director of Maynards' confectionery, retailing division.

★

Mr. A. Clive Williams has been appointed managing director of BRIAN WOODHEAD AND CO. Mr. A. B. Woodhead continues as executive chairman of the company.

★

The Secretary of State for Employment, has appointed Mr. John McNab as a member of the National Dock Labour Board for the period July 1, 1978 to July 31, 1979 and is made under the Dock Work Regulation Act, 1976, following nomination by the National Joint Council for the Port Transport Industry. Mr. McNab will replace Mr. J. H. Gabony who has resigned on retirement from The Port of London Authority. Mr. McNab is executive director (manpower) and member of the PLA Board.

★

The Delta Metal Company announces that Mr. A. G. Adlington has become managing director of its ENFIELD ROLLING MILLS division on July 1.

★

Mr. Maurice Stockdale has retired as joint managing director, INTERNATIONAL COMMODITIES CLEARING HOUSE, after 25 years' service with the company, but remains on the ICCH Board as a non-executive director. Mr. Ian McGaw, who has been joint managing director, has been appointed managing director.

★

Mr. R. N. Hurst has been appointed chief executive of THOMSON'S OVERSEAS, based in the Isle of Man. Mr. G. M. Reid has resigned from the Board of Thomson's Equity and Life Brokers to take up a directorship with Thomson's Overseas. Mr. R. Buchanan, managing director of Mannin Trustee Co. and Mr. N. C. Eringhurst, president of Claniel Enterprises Inc. have joined the Board of Thomson's Overseas.

★

Mr. David Dove has joined ATLANTIC LEASING as managing director, from Itel (UK) where he was UK country manager. He is to expand the industrial leasing division of the Atlantic Leasing Group within the technical markets of communications, teleprocessing and other computer allied industries.

★

Mr. P. Alford, marine claims manager, Phoenix Assurance Group and Mr. G. H. Wright, adjuster of claims of the Guardian Royal Exchange Group, have been elected chairman and deputy chairman respectively of the INSTITUTE OF LONDON UNDERWRITERS.

★

Mr. G. P. Styles has been made a director of R. K. HARRISON, J. L. JACOBS (INSURANCE).

★

Mr. Alan L. Harman has joined AULT AND WIBORG GROUP as director of purchasing.

★

Mr. C. D. Turton has been appointed marketing director, and Mr. A. A. Mason supplies director, of TOWNSON AND MERCER, a member company of the Plantation Holdings Group.

★

The UK ASSOCIATION OF FROZEN FOOD PRODUCERS has elected Mr. A. H. Coburn, managing director of Findus, to be its 1978-79 president. He succeeds Mr. E. Hall.

★

Following the death of Mr. W. A. V. Van Doorne, Mr. M. P. J. H. Van Doorne has been appointed chairman of the supervisory Board of VAN DOORNE'S Bedrijfswagenfabriek DAF BV, Eindhoven, Holland.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Brook Street Bureau, 100 Old Broad St., EC, 12
Eastern Produce, 100 Old Broad St., EC, 12
Newman Inds., Dragonara Hotel, Bristol, 12

BOARD MEETINGS—
Finals:
Associated Newspapers
Bambergers
Caledonian Associated Cinemas
Granada
Henderson-Kenton
Kleen-e-Ze
London and Midland Inds.
Marshalls Halifax
Moore (A.)
Rooner
Interims:
Alexanders Discount
Barr (A. G.)
Brentnall Beard

DIVIDEND & INTEREST PAYMENTS—
Aberthaw and Bristol Channel Portland Cement 4pc. 7½pcPf. 2.625pc
Allied Leather Inds. 2.43375p
Amalgamated Metal 5.4pcPf. 2.7pc
Anglo Scottish Inv. Trust 0.7p
Arbuthnot Latham 6pcPf. 2.1p
Associated Biscuit Manu. 1.686p
Australia 7pc (now 4½pc) Int. Ln. 1930 3½pc
BICC 4.6p
Babcock and Wilcox 6pcPf. 2.1pc. 5pcPf. 1.75. 4pcPf. 1.4pc
Bahia (State of) 5pc Gold Ln. 1913 (Plan A 1½pc) 2½pc. 5pc Funding Ln. 1915 (Plan A Int. now 1½pc) 2½pc
Baring Bros. 4½pc. 157.5p. 7½pcPf. 2.625p
Barlows 7.865p
Barton Transport 8pcPf. 2.8pc
Bell 5pcPf. 1.75pc. Db 4pc
Booker McConnell 3.578p. 6pcPf. 2.1pc 2.1pc
Boosey and Hawkes 5½pcPf. 1.925pc
Boustead 0.8p
Bowring (CT) 2.039334p
British Assets Trust 0.55p
British Home Stores 3.4729p
British Sugar 1.65p
Brooke Bond Liebig 0.831875p
Brown Boveri Kent 1p
Bulgin (AF) and A 0.7645p
Burrell 0.495p
Callender (George M) 0.715p
Cardinal Inv. Trust 5pcPf. 1.75pc. Db. 1½ 2 2¼pc Ln. 3pc
Carr's Milling Inds. 0.96p
Central and Sheerwood 1.22891p
Chilean 4½pc (now 3pc) Ln. 1885 (Assd. 1948) 2½pc
Coats Patons 2.0972p
Combined English Stores 1.7066p
Compton (J) Sons and Webb 1.4675p
Corinthian 0.5p
Courtney, Pope 6pcPf. 2.1pc
Craig and Rose Ord. 21.87p
Crossley Building Prods 6pcPf. 2.1pc
De Vere Hotels and Restaurants 2.6564p
Delta Metal 8.1983p
Derritron 7½pcPf. 2.625pc
Downs Surgical 1.625p
Dunlop 2.65p
Early (Charles) and Marriott (Witney) 1.666p
Elbar Ind. 4.5p
Estates and General Invs. (temp. susp. 1.45pm 13.6.78) 0.7p
Fairbairn Lawson 2.6466p
Fairclough Constr. 1.888p
Farnell Electronics 4.29p
Folkstone and Dist. Water 9pcRed.Pf. 1980 4.5pc
Francis Inds. 1.91p
Garner Scotblair 2.75p
Garton Engineering 8p
General Investors and Trustees 3.15pcPf. 1.575pc
General Scottish Trust 5pcPf. 1.75pc
Gleeson (M.J.) (Cntrctrs.) 0.75118p
Glynwed 5.75p
Guayaquil and Quito Railway Mtg. Red. Bds. 2½pc
Hall (Matthew) 5.3216p
Harrison (TC) 2.747p
Hay (Norman) 2p
Hield Bros. Ord. 0.745p. 4.5pcPf. 2.25pc 2.25pc
Investors Cap. Trust 0.7p
Johnson and Firth Brown 1.3p
Kent (George) 4½pcPf. 1.575pc
Kwik-Fit (Tyres and Exhausts) 0.59p
Lake View Inv. Trust 1.65p
Lead Inds. 4.37p
Leeds and District Dyers and Finishers 0.55p
Lesney Produs. Ord. and Restricted 1.848p
Leyland Paint and Wallpaper 1.328118p
London and Lennox Inv. Trust 1.9p. Do. B 0.0875p
London and Northern 5.4pcPf. 2.7pc
London and Provincial Shop Centres 0.3311p
Lyles (S) 2p
Maclellan (P and W) 0.8p
Manchester Ship Canal Db. 1¾ 2 3½pc. Do. Db. 1¾ (1st) 2 (1st) 4 (2nd)pc
Marshall Cavendish 3.036p
Massmutual Mortg. and Realty Investors 34cts.
Mersey Docks and Harbour 3p
Mettoy 1.0866p
Morgan Crucible 2.204p
Mothercare 1.90365p
National and Commercial Banking 1.375p
North (MF) 4.2pcPf. 2.1pc
Northern American Trust 1p
Nottingham Manf. 2.331875p
Peerage of Birmingham 0.8673p
Peninsular and Oriental Steam Navigation Dfd. 3.54228p
Perry (Harold) Motors 2.91340p
Phoenix Assurance 5.77p
Prince of Wales Hotels 2.5135p
Reed (Austin) Ord. and A 1.858974p
Republic New York 38cts.
Richardsons, Westgarth 3.4844p
Rio Tinto-Zinc Ord. (Reg.) 6p. Do. Ord. (Br.) 6p. Do. 3.325pc A Pf. 1.6625pc. Do. 3.5pc B Pf. 1.75pc
Rugby Portland Cement Ord. 1.909p
Rush and Tomkins 1.994p
Sanderson Kayser 2.91p. Do. 6pcPf. 2.275pc
Savoy Theatre Db. 2pc (perp.)
Scottish Ontario Inv. 2.85p
Silverthorne 0.5p
Simon Engineering 5.0625p
Simpson (S) Ord. and A 1.3125p
Sterling Guarantee Trust Ln. 3¼pc
Tate and Lyle Db 2½pc
Tricentrol Ord. 0.66p. Do. Ord. (Foreign Held) 0.66p
Unilever 20pcPf. Ord 7pc. Do. 5pcPf. 1.75pc. Do. 7pcPf. 2.45pc. Do. 8pcPf. 2.8pc
Unilever NV 7pcPfSub. 3.5pc. Do. Certs. to Br. Issued in respect of 7pcPf. (Fl.1000) 3.5pc. Do. Certs. to Br. Issued in respect of 7pcPf. (Fl.100) 3.5pc. Do. 6pcPf.Sub. 3pc
United Biscuits 3.634p
United Wire 2p
Unochrome Intl. 0.2333p
Williams (John) of Cardiff 1p
Wilmot Breeden 1.38157p. Do. 7pcPf. 2.45pc. Do. 20pcPf. 7pc
York Trailer 1.072p

TOMORROW

COMPANY MEETINGS—
Canadian and Foreign Inv., 9 Bishopsgate, EC, 12
Queens Moat Houses, Hertfordshire Moat House, St. Albans, 12
Stylo, Harrogate Road, Bradford, 3

BOARD MEETINGS—
Finals:
Bassett (George)
Bristol Evening Post
Dale Electric Intl.
Downing (G. H.)
Eucalyptus Pulp Mills
Gates (Frank G.)
Hampton Gold Mining Areas
Rexmore
Tex Abrasives
Interims:
Bath and Portland
Lincroft Kilgour
Winterbottom Trust

DIVIDEND & INTEREST PAYMENTS—
Advance Laundries Ord. 1.552p
Amber Valley 7¼pcBds. Red. 3⅝pc
Baird (William) 5.32219p
Birmingham 7¼pcBds. Red. (10/1/79) 3⅝pc
Bishopsgate Platinum 2cts.
Bishopsgate Trust 4.25p
Brocks Group of Companies 2.004p.
Cannock Chase 7¼pcBds. Red. (10/1/79) 3⅝pc
Castle Morpeth 7¼pcBds. Red. (10/1/79) 3⅝pc
Central Manf. and Trading 1.5p
Chester 7¼pcBds. Red. (10/1/79) 3⅝pc
Chorley 8½pcBds. Red. (2/1/80) 4¼pc
Compagnie Francaise Des Petroles B. F.14.10
Corby 10⅛pcBds. Red. (22/12/82) 5⅛pc
Eastern Produce 3.03p
Eastleigh 8½pcBds. Red. (2/1/80) 4¼pc
Electrical and Ind. Secs 2.04575p (Inc. supp. dist. of 0.026p o.a. yr 1976).
External Inv. Trust 2.5p
Fife 7¼pcBds. Red. (10/1/79) 3⅝pc
Gateshead 7¼pcBds. Red. (10/1/79) 3⅝pc
Glasgow 7¼pcBds. Red. (10/1/79) 3⅝pc
Hereford and Worcester 7¼pcBds. Red. (10/1/79) 3⅝pc
Hestair 4.1498p
Highland 7¼pcBds. Red. (10/1/79) 3⅝pc
Hyndburn 8½pcBds. Red. (2/1/80) 4¼pc
Kirklees 7¼pcBds. Red. (10/1/79) 3⅝pc
Lafarge FF16.77
Laporte Inds. 4.059p
Lincoln 7¼pcBds. Red. (10/1/79) 3⅝pc
Lionelli 7¼pcBds. Red. (10/1/79) 3⅝pc
MEPC 1.5p
Martin The Newsagent 2.838p
Minerals and Resources Ln. 6pc
Mole Valley 8½pcBds. Red. (2/1/80) 4¼pc
Newham Var. Bds. Red. (22/12/82) £3.6875
Office and Electronic Machines 2.8p
Oxley Printing 1.4025p
Pentos 2.840475p
Porter Chadburn 3.81876p
Queens Moat Houses 0.2p
Rushmoor 7¼pcBds. Red. (10/1/79) 3⅝pc
Sabah Timber 1.134p
Small (John C) and Tidmas 1p
South Staffordshire 8½pcBds. Red. (2/1/80) 4¼pc
Stirling 7¼pcBds. Red. (10/1/79) 3⅝pc
Tamworth 8½pcBds. Red. (2/1/80) 4¼pc
Torbay 9½pcBds. Red. (31/12/80) 4¾pc
Transatlantic and General Invs. 2.25p
Wakefield 7¼pcBds. Red. (10/1/79) 3⅝pc
Walker (CW) 3.5p
Wirral 8½pcBd.Rd. 2/1/80 4¼pc
Woking Var. Rate Bd.Rd. 30/12/81 £3.6875
Wolseley-Hughes 3.3275p
York 7¼pcBd.Rd. 10/1/79 3⅝pc

WEDNESDAY, JULY 5

COMPANY MEETINGS—
Ash Spinning, Beal Lane, Shaw, 10.30
Cater Ryder, 1, King William St., E.C., 12.30
Foster Bros., 651, Warwick Road, Solihull, 12
Heath (C.E.), 14/20, St. Mary Axe, E.C., 12
Lndn. Trst., Connaught Rms., Gt. Queen St., W.C., 12
Sainsbury (J), Connaught Rms., Gt. Queen St., W.C., 12

BOARD MEETINGS—
Finals:
Braham Millar
Braithwaite Engineers
Brickhouse Dudley
Duncan (Walter) and Goodricke
Mansfield Brewery
Routledge and Kegan Paul
Waddington (J.)
Interims:
Anglo-American Secs. Corp.
Birmingham and Pallet
Blackman and Conrad
Habit Precision Engineering

DIVIDEND & INTEREST PAYMENTS—
Aberdeen 10pcBd.Rd. 5/7/78 £5.1644
Akroyd & Smithers 5p
Amlgtd. Power Eng 2.64p
Annuities 2½pc 1¼pc. 2¾pc 1⅜pc
Assoc. Paper Inds. 1.21p
Bankers' Inv. Trst. Db. 2pc
Basingstoke 12⅛pcBd.Rd. 2/7/80 6₁/₁₆pc
Beaconsfield 10pcBd.Rd. 5/7/78 £5.1644
Berwick-upon-Tweed 10pcBd.Rd. 5/7/78 £5.1644
Brentwood 10pcBd.Rd. 5/7/78 £5.1644
Broxtowe 10pcBd.Rd. 5/7/78 £5.1644
Cannock Chase 10pcBd.Rd. 5/7/78 £5.1644
Cent. Scot. Wtr. Dev. Bd. 10pcBd.Rd. 5/7/78 £5.1644
Clydebank 10pcBd.Rd. 5/7/78 £5.1644
Comm. Props. Db. 1¾pc
Consltd. 2½pc 1¼pc
Doncaster 10pcBd.Rd. 5/7/78 £5.1644
Exchequer 8¼pc 1983 £3.00
Fenland 10pcBd.Rd. 5/7/78 £5.1644
Flight Refuelling 1.753p
Foseco Minsep 2.6861p
Foster Bros. Clothing 1.811975p
Gen. Scot. Trst. 1.85p
Glossop (WJ) 2.329p
Gt. Yarmouth 11⅛pcBd.Rd. 4/7/78 5₁₁/₁₆pc
Gtr. Lndn. Council 10pcBd.Rd. 5/7/78 £5.1644
Guildford 10pcBd.Rd. 5/7/78 £5.1644
Harlow 10pcBd.Rd. 5/7/78 £5.1644
Le Bas (E) 0.908p
Lincoln 10pcBd.Rd. 5/7/78 £5.1644
Liverpool 10pcBd.Rd. 5/7/78 £5.1644
Luton 10pcBd.Rd. 5/7/78 £5.1644
Lyle Shipping Ord. & A 2.5p
Morris Blakey Wallpps. Ord. & A 2.36p
Nth. Wolds 10pcBd.Rd. 5/7/78 £5.1644
Oxford 12⅛pcBd.Rd. 2/7/80 6₁/₁₆pc
St. Helens 12⅛pcBd.Rd. 2/7/80 6₁/₁₆pc
Shepway 11⅛pcBd.Rd. 4/7/79 5₁₁/₁₆pc
Sth. Glam. 10pcBd.Rd. 5/7/78 £5.1644
Sth. Northamptonshire 10pcBd.Rd. 5/7/78 £5.1644
Stockton on tees 10pcBd.Rd. 5/7/78 £5.1644
Warrington (T) 1.9675p
Watford 10pcBd.Rd. 5/7/78 £5.1644
Wigan 10pcBd.Rd. 5/7/78 £5.1644
Woodspring 10pcBd.Rd. 5/7/78 £5.1644
Wrekin 10pcBd.Rd. 5/7/78 £5.1644
Wycombe 10pcBd.Rd. 5/7/78 £5.1644
Ynys Mon Isle of Anglesey 10pcBd.Rd. 5/7/78 £5.1644

THURSDAY, JULY 6

COMPANY MEETINGS—
Altifund, 2, St. Mary Axe, E.C., 12
Alpine Hldgs., Alpine Hse., Honey St. Lane, N.W., 12
Barr Wallace, Arnold Trst., Queens Hotel, Leeds, 12
Bremner, 44, Glassford St., Glasgow, 10.30
Brit. American Film, 113, Park Lane, W., 11
Doranakande Rubber, 1-4, Gt. Tower St. E.C., 12
Fidelity Radio, The Churchill, Portman Sq. W., 12
Fine Art Develps., Fine Art Hse., Queen St., Burton upon Trent, 4
Gordon Luis, Caxton Hall, S.W., 12
Guardian Inv. Trst., 11, Wallbrook, E.C., 12
Pyramid, Hilton Hotel, W., 10
U.B.M., Avon Works, Wisterstoke Rd., Bristol, 12

BOARD MEETINGS—
Finals:
Daily Mail and General Trust
General Electric
Greene King
Kinta Kellas Rubber Estates
Scottish and Newcastle Breweries
Shaw Carpets
Stroud Riley Drummond
Wellman Engineering Corp.
Interims:
Braid
Gough Cooper
Thermal Syndicate

DIVIDEND & INTEREST PAYMENTS—
BBT. 1.5855p
Barr Wallace Arnold Trst. Ord. & A 3.76769p
Blue Circle Inds. Ln. 3½pc
Border Brews. (Wrexham) 2.543p
Bowater 5.7p
Brit. American Film 1.90671p
Browning-Ferris 12½cts
Colman (EA) Invs. Db.Ln. 4pc
Cosalt 1.7753p
Courtaulds 5pcPf. 1.75pc. Ln. 2¾pc
Findhorn Fin. Ln. 4½pc
Fine Art Devs. 1.0348p
Freemans (Lndn. SW9) Db. 3½pc
GR Hldgs. 5p
Gomme Hldgs. 0.887p
Hanger Invs. Db. 3½pc
Hawker Siddeley 2.201p
Heath (CE) 3.37788p
Highcroft Inv. Trst. 1p
JB Hldgs. 0.06p
Keyser Ullmann Db. 3½pc
Linread Db. 3½pc
Morgan Crucible Ln. 2½pc
Nichols (JN) (Vimto) 2.75p
Pratt (F) Eng. Ln. 4pc
Siemssen, Hunter 1.4256p
Smith (WH) B.Ord. 0.2978p. Db. 4pc
Tarmac Db. 3¼pc
Young Co's. Inv. Trst. 2.25p

FRIDAY, JULY 7

COMPANY MEETINGS—
Berkeley Hambro Prop., 41, Bishopsgate, E.C., 11
Bradford (R), Minster Hse., Arthur St., E.C., 10
Buckley's Brewery, Old Inn, Penhergaer, Swansea, 10.45
Minster Assets, 189, Strand, W.C., 12
Scott & Robertson, Park Mill, Dundee, 12
U.E.I., Midland Hotel, Manchester, 12

BOARD MEETINGS—
Finals:
Fertleman (B.)
Hambros
Scottish and Universal Inv.
Thorn Electrical Inds.

DIVIDEND & INTEREST PAYMENTS—
Alpine 1.65p
Austl. NZ Bnkg. 5.5255p
Bnk. Ireland 10p
Berkeley Hambro Prop. 2.22p
Bremner 2.8p
Buckley's Brewery 1.2375p
Enalon Plastics 1.5p
Feedex 0.79p
French Kier 1p
Gough Bros. 1.82p
Govett European Trst. 1.8p
Hewden-Stuart Plant 0.86839p
Jessups 0.5p
Lee Cooper 1.65p
London Trst. Dfd. 5.25p
M&G Fund of Inv. Trst. 1.2p
Midland Inds. 0.53p
Nth. Brit. Steel Ord. 0.66p
Nthn. Eng. Inds. 4p
OK Bazaars (1929) 41cts
Osborn (S) 1.1p
Panto (P) 0.77p
Pyramid Grp. Publishers 1.90645p
Sindall (W) 4.0656p
Sth. African Brews. 8cts. Prf. 6.2cts. Prf. 3½cts
Wheatsheaf Dist. Trading 4p
Whessoe 1.97p
Winchmore Inv. Trst. 2.46p

SATURDAY, JULY 8

DIVIDEND & INTEREST PAYMENTS—
Chester Waterworks 8pcPf. 4pc
Drayton Constld. Trst Db. 2¾pc
Utd. Eng. Inds. 1.1106p

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MACHINE TOOLS

Readout breaks the cost barrier

COMPLETE kit to fit milling machines of the Bridgeport Series 1 type with high accuracy digital read-out systems has been brought below the £1,000 level by Ferranti, which says that the increase in productivity and accuracy obtainable quickly pay for the capital cost of the equipment.

Acculin units offered have two-axis digital counter/display units, two linear measuring transducer units and all the necessary mountings to fit to the machine slideways, as well as the electrical connectors needed.

The digital display shows slide displacements relative to a pre-set datum along the X and Y axes, in 0.01 mm units preceded by a + or − sign to indicate direction.

Metric/inch displays can be provided as optional and the alternative then becomes a unit of 0.0005 ins.

The choice of the Bridgeport knee-type machine was dictated by the fact that it is probably the most widely used throughout Europe.

Further details of the retrofit equipment from Ferranti Industrial products department, Thornybank Trading Estate, Dalkeith, Midlothian, EH22 2NG.

Accurate work on tools

SPARK EROSION is the only method of making press tools and dies if consistent finish and accuracy are demanded, according to Spline Gauges of Tamworth, which has just installed the latest Charmilles wire machine.

This F40 model is controlled by computer-produced tape and does not require electrodes. It is particularly suitable for intricate two-dimensional work of the highest precision.

Spline Gauges' own associate, Engineering Computer Services, prepares the driver tapes off-line and the company can thus keep the F40 virtually in continuous use.

Spline Gauges says Engineering Computer Services could provide valuable assistance to companies who would like to use a machine of the advanced specification of the F40, but hesitate to introduce it because of the lack of skilled staff.

Spline is on Tamworth 872 771; Charmilles on Gloucester (04522) 4832.

● POLLUTION

Cuts jet test noise

THREE UK firms lead by Industrial Acoustics Company of Staines, which have just been given the £1m job of building a silenced test facility for the engines of the Tornado, believe that the technique they have developed will have wider application in civil aircraft engine testing and possibly in other static engine test applications as well.

Main contractor for the NATO order, Industrial Acoustics Company is responsible for the test house itself with demountable acoustic enclosure plus intake and exhaust silencers. John Curran of Cardiff has designed the overhead engine test bed with pre-rigged engine "wheel-in" facilities and Marconi Avionics of Rochester is supplying the computerised control equipment.

The noise control system accepts the total jet efflux of the Turbo-Union RB199 turbofan in re-heat condition and attenuates the noise to 65 dBA at 200 metres.

Apart from the very significant noise reduction provided, the system simplifies and speeds up the whole process of engine testing since the complete sequence can be programmed into the computer for any kind of engine.

Engine data from 150 sources is continuously processed producing printed results as required and warning the operator if an engine is faulty, allowing him to take rapid action to prevent damage.

Furthermore, testing time is reduced, saving fuel and cutting engine ground running time to a minimum so that more engine life is left for flight purposes.

There are at the moment about 150 Tornado multi-role combat aircraft in production and as they begin to come into service the company expects further orders from a number of European air forces. Other prospects are on the horizon for applications in gas pumping in the North Sea, modern naval engine testing and oil pipeline pumping.

But in aero engine testing and maintenance IAC estimates that over £3bn is spent annually — some 10 per cent of the total aerospace business—so that pressure for more efficient and quieter test facilities will increase as time goes on.

More on Staines 56251.

● HANDLING

New pumps for old

WITH THE aim of cutting the cost of putting electronically controlled blending pumps on to filling station forecourts, Alan Pond Equipment of Harlow has introduced a scheme for the exchange of existing Ljungman pump-based units with reconditioned pump bases that have an electronic control upper section.

First contracts are with BP, whose dealers should save 25 per cent on the cost of a comparable new electronic pump costing about £2,500.

For the past two years BP Oil has been gradually removing mechanical blenders from 770 company-owned sites and has been replacing them with new and remodelled equipment. About 10 per cent of these sites are at the moment scheduled to receive Alan Pond rejuvenated pumps.

Main advantages offered by the unit, which has been named Lulu 7, are accurate metering (0.05 per cent is claimed), the ability to make a price change in about 20 seconds instead of 20 minutes on the mechanical models.

Lulu 7 has all its electronics and display panels in a simple cantilevered display box just above eye level, fixed to the side of a central column which supports the fuel supply boom. The logic circuits are in a completely sealed box with which it is virtually impossible to tamper. Three grades can be blended and dispensed and operation consists of little more than pressing one of three grade buttons and the nozzle grip.

Re-programming of the pump is particularly easy. To change the price, a key operated switch increments the display (at an adjustable speed): the display is brought to a halt by the same control and after pressing the grade button, the pump will from then on dispense fuel at that price.

The display has the normal three items: transaction value, volume dispensed and the price per gallon. Characters are in inch-high gas discharge technology and the volume display has a fifth digit showing thousandths of a gallon. The last transaction is always stored and the elapsed part of it can be retrieved in the event of a power failure, using battery back-up.

Alan Pond Equipment hopes to extend business beyond its own sites (the group owns about 100, with some 400 pumps) and those of BP.

There are about 10,000 blending pump units of all brands in use in the U.K. and the company believes that the £600 or so that can be saved as an alternative to acquiring new electronic pumps will prove to be particularly attractive.

More on Harlow 34741.

GEOFFREY CHARLISH

Packs more in containers

ALTHOUGH palletisation of loads simplifies handling, it reduces the amount of cargo that can be put into a container.

Anglia Handling Services, Biggleswade, Bedfordshire, has come up with an answer to the problem. It has developed a 2½ cwt SWL low headroom, double beam, underslung, hand-pushed crane which can be incorporated in the container, either when the container is being built or later.

The main crane members including the beams, crab unit and gantry rails, are manufactured from tubular steel door track. An adapted hand chain block has been built into the crab unit, and the gantry rails are designed to be fixed directly through the container's sides.

A prototype has already been successfully installed and tested in a 36 ft 6 ins long ISO container having grp sides and an up and over door. To enable customers to install the cranes with the minimum of disruption AHS is preparing to manufacture and supply them in kit form. The company will also supply purpose designed spreader beams and heavier versions of the crane to meet particular customers' specific requirements.

In addition to increasing the number of individual loads which can be put into a container, the crane also reduces the driver's dependence on fork lift trucks etc, during loading and unloading.

Anglia Handling, Boddington Industrial Estate, Drove Road, Biggleswade, Beds. Biggleswade 312125.

● INSTRUMENTS

Waves for most purposes

AN INSTRUMENT with applications in many industries, the PSI 3151 two-phase function generator offers waveforms over an enormous range; from one cycle in three hours to 50,000 cycles per second. It enables users to set the phase between functions more accurately than with any other similar instrument over the range 0.0005Hz to 50kHz.

Digitally synthesised waveforms of sine, square or triangle, may be held at any point during the cycle, and then continued at will.

Illuminated pushbuttons allow easy selection of sine, square or triangular outputs. Each output (20V peak to peak max.) is fully controllable using coarse and fine attenuators.

Waveforms generated are extremely precise. The square wave, for example, has rise and fall times of less than one microsecond.

A fully programmable version is available.

Prosser Scientific Instruments, Lady Lane, Hadleigh, Suffolk, IP7 6DQ. 047 338 3005.

● MATERIALS

Growing big crystals

USING the Melbourn crystal pullers designed and manufactured in its own factory, Metals Research has succeeded in growing exceptionally large ingots of semi-conductor material. Gallium arsenide ingots up to three kilos, of high purity and the desired crystal orientation are being produced for use in microwave devices. Indium phosphate ingots up to two kilos are being made.

These latest developments allow Metals Research to be highly competitive with the major U.S. manufacturers of both semi-conductor materials and the production equipment to make ingots.

Arising directly from its development of advanced equipment for the production of high-purity metal and semi-conductor single crystals, Metal Research has produced a wide range of synthesis equipment and high pressure crystal growth equipment. Included in the latter are the Melbourn range of crystal pullers which utilise the liquid encapsulated Czochralski technique for the production of gallium phosphate. Indium arsenide crystals are similarly produced.

This important advance in semi-conductor technology has enabled Metals Research to make considerable inroads into U.S. and European and Far Eastern markets traditionally dominated by U.S. manufacturers. Sales for this equipment over the past six months are approaching £500,000.

Metals Research, 127 Horsham Road, Walton on Thames, Surrey. Walton 40323.

Toxic products analysis

THE consultancy laboratories of British Oxygen (Special Gases) and Stanton Redcroft have joined forces for the purposes of offering a new service for the characterisation of toxic products of combustion and thermal decomposition.

A statement from BOC says that the joint venture is designed to meet the demand created by increased public concern over toxic hazards and industrial hygiene.

Scope of the liaison is such that work from single experiments to large scale projects will be carried out, with costing on a "per sample" basis.

Stanton Redcroft are specialists in the field of thermal analysis and flammability, equipped for the decomposition of materials by combustion or heating in various atmospheres, while BOC Analytical Services can call on considerable instrumentation to determine percentages of constituents or levels right down to parts per million.

More from Mr. A. M. Phillips on 01-542 6677.

● COMMUNICATIONS

Teleprinters approved

PERHAPS not unexpectedly, it has been announced by the Creed division of ITT Business Systems that the UK designed and developed model 2300 electronic teleprinter has been accepted by the Post Office for use on the Telex service in the UK.

It is understood that, so far as the introduction of new machines of this kind to the Telex network is concerned, the 2300 is for the time being at any rate in an exclusive position. The development has been a private venture by the company.

The acceptance should help the Brighton company with its exports: the market is considerable, installations in the UK alone having increased by 10.5 per cent to 71,586 at year ending March. The world market for Telex equipment is estimated by the company to be worth £180m a year.

The 2300 is designed to work on all Telex systems, anywhere in the world and the electronic design offers increased reliability and reduced maintenance.

Substantial orders from overseas have already been received and others from the UK Post Office are expected to follow soon. More on 0273 507111.

● SERVICES

Design of structures

SEAS, which is a program employed to design, analyse and certify oil and gas drilling structures in many offshore producing areas, is available in the UK.

Ambercrest Engineering, autonomous British subsidiary of Petro-Marine Engineering, of New Orleans, which designed it, has introduced the system as part of the consultancy service which it has provided to the UK offshore oil industry since 1976.

Operating the system for Ambercrest as a time-sharing and remote-job entry service is London United Computing Systems.

SEAS was used recently by a major North Sea operator in the design of a drilling and production platform for nearly 500 feet of water to carry 25,000 tons of operational load. The design and analysis included fatigue analysis, punching shear analysis, wave load, soil pile inter-action etc.

LUCS at 39, Gordon Square, London, WC1H 0PD.

● ELECTRONICS

Spotlight on biggest companies

FACETS OF the European electronics industry not so far exposed, are highlighted in the Mackintosh Companies Yearbook 1978. This identifies the 50 largest groups manufacturing electronics products in Europe and examines their product sales and financial performance over the last five or ten years.

The importance of the companies can be gauged by their total electronics turnover, which approaches $50bn. This compares with current estimates at total worldwide electronics production, put anywhere between $100-$150bn, indicating that the companies account for a sizeable proportion of world output.

This Yearbook has managed to isolate the specifically electronics activities of many of the highly diversified multi-national corporations, including details of their important subsidiaries and affiliates, which often play a prominent role in the industry in many European countries.

An extensive appendix relates some 2,000 subsidiary companies to their parent organisations.

Altogether 13 American companies, 11 British, seven German and six French companies are large enough to be included in the analysis, which covers manufacturers of military and professional electronics equipment, consumer goods, computers and electronic office equipment and active, passive and audio components.

Mackintosh Publications, Mackintosh House, Napier Road, Luton, England LU1 1RG. Tel: 0582 417438.

● COMPONENTS

UK ideas on fans go West

LICENCES HAVE been granted by the UK Dynair company, maker of many types of fan drive, and Kysor Industrial Corporation of Cadillac, Michigan, under which the U.S. company will make and market fan drives of British design for the commercial vehicle market of the U.S., Canada and Mexico.

Kysor-Cadillac based the decision to link up with Dynair on the reliability of the Dynair fan drives over millions of miles of fleet operation.

In the U.S. Kysor will offer a 250,000 miles warranty on the product. For the first 100,000 miles, or first year, Kysor will cover the complete unit, labour and parts; for the next 150,000 miles, or second year, Kysor will offer replacement parts—a much more liberal warranty than is currently available on any other fan clutch in the market place.

Dynair is on Nailsworth 2361.

Electrical parameter transducers

ALL-ELECTRONIC transducers which can take many electrical quantities over a wide range of levels and turn them into standard 0 to 1, 0 to 20 or 4 to 20 mA signals are being made and marketed by Crompton Instruments.

This "Paladin" range of devices is unaffected by electrical loading or cable resistance so that signals can be sent over several miles of unscreened telephone cable.

The devices can be used remotely or locally with compatible indicating instruments for monitoring, as inputs for data loggers or computers, in control work, and for connection to recorders.

The range includes units for converting watts, volt amperes, phase angle, frequency, current, voltage and power factor and there are also units for dealing with passive quantities such as resistance and temperature.

More on 0604 3021.

● TEXTILES

Test yarn machines

ONE OF the biggest developments in spinning of textile yarns was the introduction about 10 years ago of the rotor spinning machine which is also described as open-end although a number of other open-end systems exist.

For the manufacturer making this type of yarn there has been something of a problem in sampling yarns and in making small experimental lots. Now a small-scale rotor spinning machine with four positions has been constructed in the Postgraduate School of Textiles, University of Bradford (Bradford BD7 1DP, West Yorks. Tel. 0274 33466) by Dr. Eric Dyson.

This uses the Czechoslovak BD 200 units and it allows a wide number of variables to be applied. It will take slivers from 2200 to 4000 tex and deliver a full package of yarn up to 1.5 kg. The machine can produce yarn at up to 65 metres per minute and the rotor speeds can be varied in steps of 2,000 from 24,000 to 40,000 rpm. The opening roller, which separates the individual fibres, can be varied in steps of 1,000 from 4,000 to 10,000 rpm and it is possible to vary the draft from as little as 38 up to a maximum of 225. The machine has initially been built with four heads but it can be constructed with any number from only one to a maximum of 10.

CONTRACTS AND TENDERS

FT Monthly Survey of Business Opinion

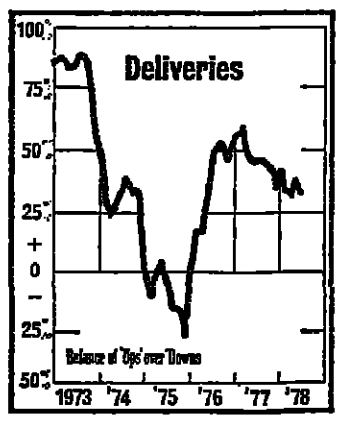
GENERAL OUTLOOK

Companies more cheerful

THE DECLINE in business confidence over the previous five months ended in the latest period, although it is too early to say whether this improvement represents a genuine reversal of the downward trend or is simply due to a sampling fluctuation.

The signs of optimism about companies' own operations were not carried through into their feelings about the outlook for the UK economy. This index continued to fall steeply.

The divergent trends are reconciled by an improvement in companies hopes for exports.



The greater optimism of the industries in June's survey—non-electrical engineering: chemical and oil: and shipping and transport-connected industries—meant the weighted index recovered the ground lost last month.

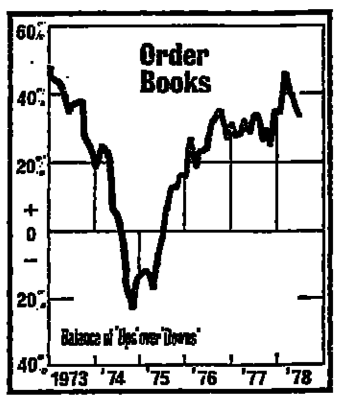
Other hopeful signs were that both the engineering and chemical and oil sectors were more inclined to expect smaller increases in hourly wage rates over the next 12 months than they had been when previously covered in the survey in February, and they also expected smaller increases in prices than they did then.

ORDERS AND OUTPUT

Expectations decline

ALL THREE SECTORS surveyed last month were less hopeful over their turnover prospects than they had been when previously surveyed. Order books slipped back from their previous high levels and there was a slight drop in the index for recent deliveries.

The chemical and oil and shipping and transport sectors were more inclined than they had been last February to report increased orders while the engineering group, although still prone to report increased



orders, was less encouraged to do so than it had been four months ago. The net result is virtually no change in the new orders index.

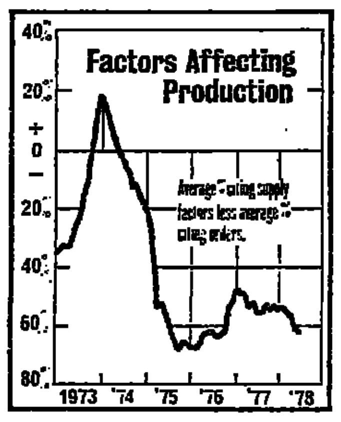
The index for the median expected increase in turnover in the next 12 months dropped back from 4.9 per cent to 4.5 per cent. There was also a slight deterioration in the balance indicator showing the difference between the percentage of companies expecting turnover in volume turns to increase and those expecting it to decrease.

CAPACITY AND STOCKS

Increases not planned

THE SURVEY provides evidence that the strong increase in the level of manufacturers' stocks in recent months was forced rather than willed. Both the chemical and oil sector and shipping and transport-connected industries said their stock levels were too high.

Although this feeling was partly offset by the reactions of the engineering group, the index of stock levels, reflecting the balance of companies who felt their stocks were too high over those who felt they were too low, continued to move upwards. It now stands near the levels reached last September.



Labour recruitment difficulties continued to worry some companies, despite the high level of unemployment. Shortages of skilled factory staff were fairly frequently mentioned in both the engineering and chemical and oil sectors.

However, this constraint was felt to affect output levels less than in previous months. And both executive staff and manual labour was mentioned less frequently as a factor affecting production.

Accordingly the index reflecting the balance between supply and demand as constraining factors on production moved further in the demand direction.

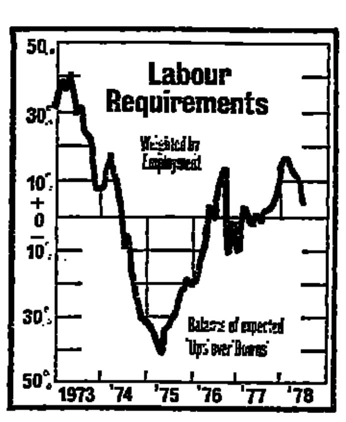
CAPACITY WORKING

	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Above target capacity	10	10	9	10	—	5	21
Planned output	53	54	56	57	67	49	27
Below target capacity	36	35	34	32	33	46	34
No answer	1	1	1	1	—	—	18

INVESTMENT AND LABOUR

Job prospects dull

THE PROSPECTS for unemployment remain pretty bleak as all three sectors interviewed this month were less inclined to expect an increase in their labour force in the next 12 months than they had been last February. Consequently, the labour requirements indicator has slipped back even further and there is only a small net balance projecting a rise in the number of employees. The potential cost of redundancy payments seems to have become more important as an influence on the number of employees among companies in the engineering, and chemical and oil sectors.



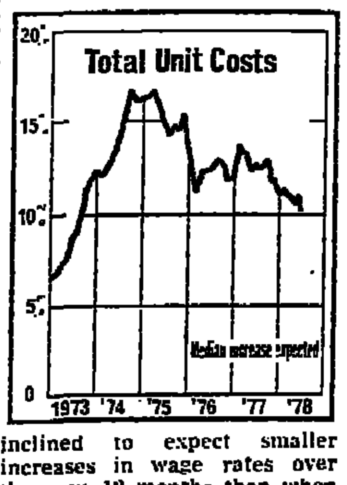
Industry is, however, confident about its investment plans with both the chemical and oil, and the shipping and transport sectors more inclined to project a rise in expenditure in the last 12 months than when previously surveyed. So there is a market rise in the overall investment indicator.

All three sectors were more inclined than before to say their liquidity levels were too high and to expect to use bank overdrafts to finance their expenditure over the next 12 months.

COSTS AND PROFIT MARGINS

Optimism about inflation

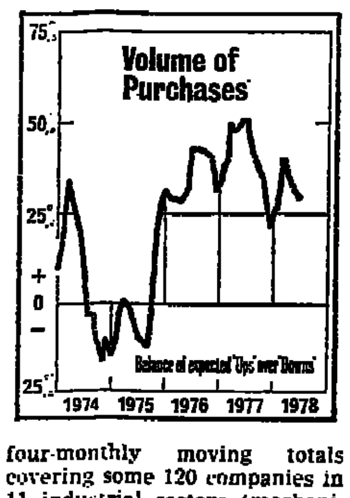
INDUSTRY REMAINS relatively optimistic about inflation over the next year. Both the engineering, and the chemical and oil sectors were more inclined to expect smaller increases in wage rates over the next 12 months than when last surveyed in February, so this indicator slipped back. All three sectors covered this month take a more optimistic view of the likely rise in unit costs and there has been a further small drop in the level of projected price rises.



A striking feature of the latest survey is the increase in the percentage of companies expecting an improvement in profit margins over the next year. A more positive attitude from both chemical and oil, and shipping and transport companies has only been offset slightly by a more negative outlook from the engineering sector. Consequently there is now, for the first time since last year, a net balance of companies looking for an increase in margins.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent of the turnover of all public companies. The weighting is by market capitalisation, save where alternative methods of weighting are cited.



The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month). *Complete tables can be purchased from Taylor Nelson and Associates.*

GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
More optimistic	37	30	37	38	30	46	29
Neutral	43	44	38	38	64	28	17
Less optimistic	20	26	25	22	6	26	54
No answer	—	—	—	2	—	—	—

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Higher	76	69	75	77	99	100	65
Same	14	16	13	9	—	—	30
Lower	9	12	9	11	1	—	5
Don't know	1	3	3	3	—	—	—

NEW ORDERS

The trend of new orders in the last 4 months is:	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Up	44	44	49	53	56	21	59
Same	27	32	28	29	32	28	18
Down	13	14	11	10	6	21	17
No answer	16	10	12	8	6	30	6

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Rise over 20%	3	3	5	6	5	—	—
Rise 15-19%	1	1	4	4	—	—	—
Rise 10-14%	12	9	12	9	26	26	4
Rise 5-9%	26	32	23	25	6	26	—
About the same	49	45	48	48	63	48	78
Fall 5-9%	3	3	3	2	—	—	—
No comment	6	7	5	6	—	—	18

STOCKS

	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
Raw materials and components over the next 12 months will:	%	%	%	%	%	%	%
Increase	34	30	40	45	37	51	—
Stay about the same	45	47	42	40	55	47	44
Decrease	17	19	16	13	2	2	50
No comments	4	4	2	2	6	—	6
Manufactured goods over the next 12 months will:							
Increase	31	28	30	32	18	51	—
Stay about the same	40	37	38	41	66	42	34
Decrease	10	10	10	10	—	2	17
No comments	19	25	22	17	16	5	49

FACTORS CURRENTLY AFFECTING PRODUCTION

	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Home orders	86	86	85	86	92	100	56
Export orders	65	68	63	61	84	74	69
Executive staff	24	28	29	30	—	21	—
Skilled factory staff	42	41	43	42	49	62	4
Manual Labour	14	19	17	13	—	—	17
Components	2	4	4	5	—	—	—
Raw materials	3	4	3	5	—	—	4
Production capacity (plant)	11	11	14	15	—	5	—
Finance	—	—	—	—	6	—	—
Others	4	10	9	7	—	—	18
Labour disputes	24	30	30	37	36	—	17
No answer/no factor	1	1	4	5	—	—	10

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Increase	24	29	28	30	8	—	—
Stay about the same	56	52	57	56	80	100	34
Decrease	20	19	15	14	12	—	66

CAPITAL INVESTMENT (Weighted by capital expenditure)

Those expecting capital expenditure over the next 12 months to:	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Increase in volume	62	54	55	53	67	81	56
Increase in value but not in volume	8	5	6	6	—	16	15
Stay about the same	9	11	15	18	6	3	3
Decrease	18	28	24	23	17	—	26
No comment	3	2	—	—	10	—	—

COSTS

	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
Wages rise by:	%	%	%	%	%	%	%
5-9%	19	12	9	10	6	42	—
10-14%	64	66	67	64	94	53	52
15-19%	9	12	13	11	—	5	4
20-24%	2	2	2	2	—	—	—
No answer	6	8	9	13	—	—	44
Unit cost rise by:							
0-4%	5	—	1	1	6	26	—
5-9%	41	34	38	36	67	53	50
10-14%	43	52	49	48	27	21	44
15-19%	2	4	5	7	—	—	—
20-24%	4	3	4	3	—	—	—
Decrease	—	1	—	—	—	—	—
No answer	5	6	3	5	—	—	6

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	Mar.-June	Feb.-May	Jan.-Apr.	Dec.-Mar.	Eng'g. (non-elec.)	Chems. & Oils	Shipping & Transport
	4 monthly moving total				June 1978		
	%	%	%	%	%	%	%
Improve	37	32	23	26	45	48	44
Remain the same	29	30	41	41	28	10	17
Contract	28	35	33	29	27	21	21
No comment	6	3	3	4	—	21	18

Building and Civil Engineering

Wimpey in a major Guildford project

PRIDE OF place in £11½m worth of new work awarded to Wimpey goes to the Friary Centre project in Guildford for MEPC, first new major shopping centre project to be started in Britain this year.

Worth £10½m, the contract covers the provision of the centre together with offices and a local authority residential block and preliminary work on the development, which will include a 14,400 square foot shopping complex on two levels, has begun. This will ultimately provide 51 shop units.

Rising from its roof level will be a 30,000 square foot office block and arts centre and the residential unit will contain 60 flats.

Provision of a new central bus station and of a link to an existing 1,100 space car park will have considerable impact on the centre of the city, which is already one of the major shopping centres in Surrey with its catchment area of around 600,000 people.

MEPC has already concluded arrangements for over half the space, though completion is still some two years away.

Construction is to be in reinforced concrete framing with featured brick cladding and patent glazing on three levels.

Architects are Sidney Kay Firmin Partnership and structural engineers Ove Arup and Partners.

The £1m award to Maidstone branch of Wimpey comprises two contracts, the first of which is for £558,000, covering the fitting out of a retail grocery store for Allied Suppliers (Properties) in Gillingham.

This will provide a large unit in the Hempstead Valley shopping centre which is part of the Federated Homes development, where Wimpey is carrying out work valued at a total of over £7m.

Most of the operations in this area should be completed by the end of the current year, it is anticipated.

The second job is worth £515,000 and has been placed by Thanet District Council for the modernisation of 120 local authority dwellings at Dane Valley Road, Margate.

Sir R. McAlpine wins £8½m contract

A START is to be made in September on the construction of an Arndale shopping centre in Terminus Road, Eastbourne, Sussex.

The £8½m contract for the first stage has been awarded to Sir Robert McAlpine and Sons by Town and City Properties and Legal and General Assurance (Pensions Management).

When completed, the centre will offer 320,000 square feet of shopping facilities and space has already been earmarked for Marks and Spencer, Boots, Woolworths, British Home Stores and Sainsbury. Completion is planned for August, 1980.

The consultant architect for this project is Percy Gray. Other professional services will be provided by Leslie Jones and Partners (architects), Leslie G. Dight and Partners (quantity surveyors), Bowden and Sillett and Partners (consulting engineers), and Lowe and Rodin (programme consultants).

Apartments in Dubai take shape

BERNARD SUNLEY AND SONS has announced that it expects to hand over the first of the 500 apartments of the Dubai International Trade and Exhibition Centre at the end of August to the Ruler of Dubai.

The apartments are built in two 15-storey blocks and one 14-storey tower on the Trade Centre site 350 metres from the main 35-storey Trade Centre Tower. Each of the apartment blocks have identical floor plans, with 12 apartments per floor, in a mixture of one, two and three-bedroom units.

Work commenced on the apartments in November 1976 and a structural floor was completed every ten working days. All the 500 apartments will be handed over by the end of this November.

As well as the construction of the apartments, Sunley is responsible for their complete furnishing.

Architects for the project are John R. Harris and Partners and Widnell and Trollope are the quantity surveyors.

Precast concrete pipe supports and jacking beams for the Sullom Voe oil terminal in the Shetlands being loaded on to rail wagons at Anglian Building Products works at Lenwade near Norwich. This is the second batch of these components which are being supplied under a contract worth nearly £½m.

Stores and bank work by Bovis

FIFTH contract for a major store to be built by Bovis for the Tesco Group since the beginning of the year is for a £750,000 two-storey extension to existing premises at Sheerness in Kent. It will provide a further 21,000 sq ft of sales space at ground floor level, including an in-store bakery. Above, there will be bulk storage, food preparation areas and cold rooms.

When building has been completed, the existing store will be refurbished to give about 27,000 sq ft of sales area in total with some 7,000 sq ft of storage space.

This latest contract brings the value of work in hand for Tesco by Bovis to £6.7m.

In London's Gracechurch Street, Bovis is to extend the premises of the Australia and New Zealand Banking Group under a £600,000 award.

The work will provide an additional 5,500 sq ft of space on four new floors at the rear of the building and a full environmental control system for the whole building will be installed.

The existing frontage will remain unaltered.

Housing by John Laing

A £3M contract to build 256 dwellings on a "green field" site adjacent to Halifax Road, Rochdale, Lancs., has been awarded to John Laing.

Work on the two-year project for the Metropolitan Borough of Rochdale, is to start soon and will include 135 houses, 86 flats, two bungalows and 33 sheltered accommodation flats for the elderly. The flats will be built in five blocks and the houses will be in terraces.

At Brighouse, West Yorkshire, Laing is to build 111 homes for the Metropolitan Borough of Calderdale. This contract is worth £980,000.

Another housing award, worth £440,000, is for 40 homes, mainly for the elderly, for Northampton Borough Council.

£3m awards to Hall

CONTRACTS worth over £3m have been won by Alexander Hall and Son (Builders).

At Middleton, Bridge of Don, Aberdeen, the company is to construct 247 homes at a cost of £2.9m, while at Altens Industrial Estate, Aberdeen, it is to build an office block and factory for Richard Irvin and Sons. Value of the latter contract is £226,245.

Industrial estate in Bolivia

PLANNING AND engineering consultancy work for a new 2,000 hectare industrial park and township at Santivanes, in central Bolivia, is to be carried out by the WS Atkins group of Epsom, Surrey, for the Corporation de Desarrallo de Cochabamba (CORDECO), a development body formed by the Bolivian Government for the area.

Sited some 30 km south-west of the city of Cochabamba, the complex will include an automotive foundry and forge as well as a vehicle assembly plant. It is also planned to move industries from Cochabamba to the proposed industrial estate.

The township will, it is anticipated, ultimately accommodate 100,000 people.

The Atkins group, in association with CONNAL SRL, will undertake economic studies, prepare planning and engineering proposals, and formulate an organisational and administrative system for the proposed development.

Factories in Milton Keynes

AWARDED A £723,000 contract by the Milton Keynes Development Corporation, John Mowlem will construct two advance factory units at Burners Lane, Kiln Farm Employment Area, Milton Keynes.

These are the first detached, advance units to be built by the corporation and total 5,312 square metres (57,000 sq ft).

The factories will be steel-framed single storey units with integral two storey offices. They will incorporate cladding of steel-framed, pvc-finished steel with bitumen polymer roofs on metal decking. The contract has started and is due for completion by April, 1979.

Improving the water supply

LEMON AND BLIZARD of Southampton have been appointed by the Water Development Department of the Government of Cyprus to design and supervise the construction of the first stage of the Nicosia water supply scheme.

This project is being financially aided by The World Bank and includes a major high-lift pumping station, 40 km of pipeline, a storage reservoir and break-pressure tank. The work is due for completion in 1980.

IN BRIEF

• Taylor Woodrow Construction has been awarded the contract to carry out alterations at the newly established Richmond College, Kensington. The £150,000 award is for constructing 50 self-contained bedroom units on three upper floors and remodelling ground and basement floors to provide modern kitchens, dining rooms, classrooms and administrative facilities. The alterations are expected to take six months.

• A one-day seminar on the design of brickwork and blockwork masonry will be held in London on Wednesday, October 11, organised by the Mortar Producers' Association to give advice to architects and specifiers on the correct use of mortars and renders. Speakers will describe how long-term durability combined with a pleasing appearance can be achieved by using lime-based mortars. Polytechnic of Central London is the venue.

Cuts cost of finishing

AN EPOXY rendering material which offers useful savings in the construction of industrial buildings by removing the necessity to concrete render brick/blockwork of interior walls before a surface coating can be applied, is now being marketed by Lamacrest of Crown Works, Cold Bath Road, Harrogate.

The material can be applied direct to the fair-faced brickwork, breeze, thermalite, and other building blocks to produce a very tough, jointless surface in a number of colours.

Such are the adhesive powers of the render, says Lamacrest, that where brickwork is interspaced with steelwork it will key to this equally effectively, so that the surface coating can be made continuous along the whole length of the wall.

The finished surface is smooth and non-porous and can be pressure-washed. It is also resistant to a wide range of chemicals, is non-toxic, and of such low odour that it can be applied in the presence of food, under controlled conditions.

Opencast mining project

AUTHORISATION granted for the extraction of some 1½m tons of coal by opencast methods in the Togston area of Alnwick, in Northumberland, will result in a variety of civil engineering work since among other things, the A1068 road will need to be realigned.

No decision has been taken so far on the route it will follow but the NCB and the local authority have already agreed on the restoration of the site when extraction comes to an end in 5½ years.

£2m shop plan

A SHOPPING development in Kirkcaldy, Fife, is to be undertaken for Tyneside Land and Property by Norwest Holst Scotland. The contract is worth £2m.

The work will involve the extension of a Littlewoods store and provision, around a paved pedestrian precinct, of five separate shop units with roof parking.

Under a £1.6m contract for the British Gas Corporation the company is to lay mains and services in the eastern area of Wales and further contracts for British Gas are being undertaken in the north-west and in Scotland.

Work is also being carried out for the Midland Electricity Board and for Imperial Chemical Industries.

Coating has tile-like finish

INTENDED PRINCIPALLY for exterior use where its light stability and resistance to prolonged periods of exposure to the weather are of prime importance, Index Finishes has introduced Glaze Coat.

It can be used to protect surfaces of concrete, brick, asbestos, plaster, wood, metal, etc., and its properties, says the maker, are suitable for interior use under the severe conditions found in dairies, food processing plants, breweries, chemical works and similar locations.

The non-yellowing polyurethane coating cures to form a hard and easily cleaned tile-like jointless finish.

Further from Index Finishes (UK), Dawkins Industrial Estate Poole, Dorset, BH15 4YJ (02013 78661).

Abu Dhabi stadium

WHITE, Young and Partners have been appointed as advisory consultants to the Government of Abu Dhabi on the construction of the £80m Zayed Sports City complex in the capital, and now have overall responsibility for the architecture, engineering and project management of the scheme.

The complex on which work is well under way consists of a two-tiered stadium, elliptical in shape to accommodate 55,000 seated spectators. Completion is due by March 1979.

The architects are H. Colboc and Partners, of Paris, and main contractor is the Consolidated Contractors Company of Lebanon. Mechanical and electrical sub-contractor is Haden International, and piling sub-contractor is Frankpile.

Ancient site reborn

A CITY site, once occupied by a Royal Mail stables block, has been under development to give offices, industrial and residential accommodation under a £2.4m contract to Wates Construction.

The office accommodation at Triton House on a near-one acre site bounded by Bonhill Street, Tabernacle Street and Epworth Street, EC2, was handed over to Sohox Investments and Guardian Royal Exchange Assurance at an informal ceremony held at Triton House. The residential content of 19 flats will be handed over to the Habinteg Housing Association in August.

A gross floor area of 76,625 sq ft gives 14,200 sq ft (nett) of industrial/warehouse space in the basement which is 18 ft deep and required the excavation of nearly 20,000 cubic yards of material, some of it from a medieval rubbish tip containing bones, pottery and clay pipes.

The commercial content of the development, which is nearing completion, provides 25,000 sq ft of fully air conditioned offices, nearly 21,000 sq ft of light industrial / warehouse accommodation — including ancillary offices—and 3,700 sq ft of showroom area.

Blueprint to meet world interest

TODAY, at the Royal Show in Stoneleigh, Warwicks, Taylor Woodrow International is unveiling a blueprint for what it describes as a "modular" approach to the design of an international sports stadium in which the accent could be on equestrian events, but which would also cater for a very great variety of other sports, both indoors and outdoor.

Inception of the design was in answer to an inquiry from a Middle Eastern country. But provided the land is available, there is no limitation on where the facility could be implanted.

Externally there would be provision for football, athletics, hockey, tennis, golf and even—for the Middle East—the esoteric game of cricket.

Taylor Woodrow naturally cannot put a figure to a blueprint of this type, but it seems clear that no-one would start a project of this nature without very extensive grounds or the intention of making the centre a multi-million pound facility.

The aim all the way through has been to make maximum use of facilities in an all the year round training cum competitive venue. And the designers have concentrated on making the various possible units dovetail in such a way that progression from a basic unit is simple, placing no strain on environmetal acceptability.

All buildings are designed so that they can readily be extended and approaches and surroundings are also planned to include wide grassed and wooded areas.

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

The new shape of worker participation in Germany

By ADRIAN DICKS in Bonn

LAST SATURDAY marked the deadline for big West German companies to meet the requirements of the 1976 workers' participation (*Mitbestimmung*) Act, under which they have now put into place new supervisory boards composed of equal numbers of representatives of the employees and of the shareholders.

Partly because late June is a favourite time for annual general metings, and partly out of ill-concealed reluctance, a good many large concerns seem to have left it as late as possible to comply with the Act. Last week saw a flurry of announcements of newly constituted supervisory boards from such groups as AEG-Telefunken, Aral and Ruhrgas.

Yet despite some of the predictions made when the Act was passed, there seems to have been a relatively small number of serious attempts completely to frustrate its aim of giving workers a greater say in how their companies are run. One or two private groups have transferred their corporate legal domicile abroad.

Lawsuits

There has also been a handful of reorganisations, splitting companies up into smaller parts, each of which falls below the threshhold of 2,000 employees at which the Act applies. In 16 known instances, lawsuits brought either by *trade unions* or by shareholders' associations have put implementation of the Act into the hands of the courts.

To the annoyance of the unions and of Chancellor Helmut Schmidt's Social Democratic Party, a question mark still hangs over the Act, in the form of a lawsuit brought by several companies and employers' associations. Although they insist they are not challenging the principle of worker participation, they want the Federal Constitutional Court to rule on the Act's implications for the constitutional right to private property. No judgment is expected before the autumn.

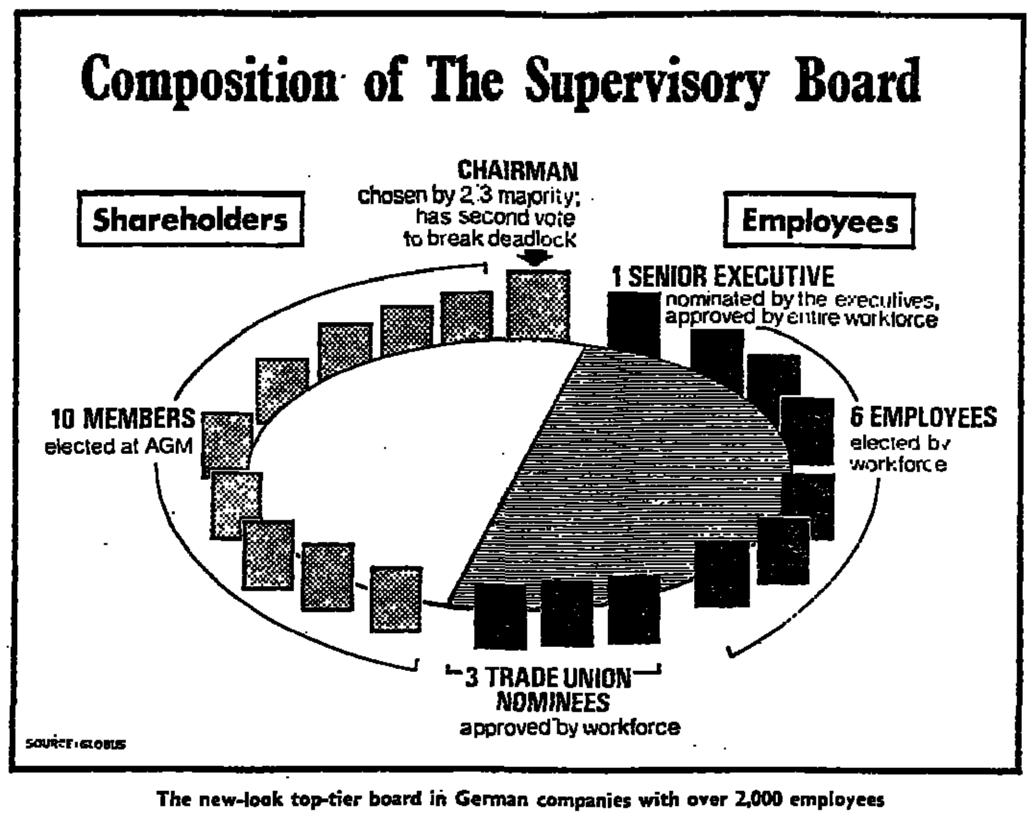
For the most part, German companies have, however unenthusiastically, put the Act into effect. Herr Joachim Zahn, the executive chairman of Daimler-Benz, articulated a widespread attitude among senior management when he told the company's annual general meeting that its motto must now be "readiness for consensus." There was now a duty on the part of companies to "find a joint basis of interest in the continued development of the company with the persons to whom new responsibilities have been given." There had been constructive co-operation with workers' representatives in the past, said Herr Zahn, and he hoped this would be possible in the future, too.

So what happens now? It would probably be a mistake to expect dramatic changes in the way in which German companies operate. It must be remembered that the legal duties of a German supervisory board are limited to the appointment (and occasionally the firing) of executive directors — in contrast to several other countries, no one may be a member of both boards—together with the board supervision of company policy and the disposal, in conjunction with the executive board, of profits. Normally the supervisory board also has to approve major investments and strategic decisions.

The flesh on these legal bones is, of course, different in every company. There are in practice many cases where the supervisory board exists merely as a rubber-stamp for the wishes of a controlling shareholder, and where either the chairman of the supervisory board or the majority shareholders' representatives in practice give orders to the executive board without the board necessarily meeting formally. Such, no doubt, is the case for most West German subsidiaries of foreign-owned multinationals.

There are many companies, and particularly those where no one holds a large block of shares, where the supervisory board is generally told what to do by the executive board, approving meekly everything that a forceful chief executive puts in front of it. In such cases, many observers feel, the newly constituted supervisory board will become still more malleable and the real power more concentrated in the hands of the executive directors.

In other concerns, the supervisory board can be an influential body in its own right as well as a forum for resolving difficult conflicts of interests. In the spring of 1976 Volkswagen's supervisory board included, under the now superseded Works Constitution Act, Herr Eugen Loderer, President of the engineering workers' union IG-Metall, as a deputy chairman. Five members of works councils of the main VW plants were also on the board, which also included members of the Federal and the Lower Saxony State Governments, and a number of bankers and industrialists. But when the Board approved the plans of the executive chairman, Herr Toni Schmuecker, to assemble cars in the U.S., it did so unanimously — albeit after years of intense argument.



The new-look top-tier board in German companies with over 2,000 employees

Much is going to depend on the individuals involved. On the shareholders' side, industrial harmony may depend to a great extent on whether the chairman chooses to adopt a conciliatory or an aggressive policy. That in turn is likely to vary with his own personality, and here the pride of former executive chairmen (as many supervisory board chairmen are), or the sense of injury of the heads of controlling families and of self-made tycoons, should not be underestimated.

On the employees' side, the three union-appointed members are in many cases very experienced both in bargaining and in sitting on supervisory boards. By comparison, some of the employee representatives chosen by direct vote, or through tortuous electoral college procedures, seem to be relatively unprepared for the type of decisions for which they are now responsible—though 75 per cent of all the employee representatives now serving are union members, and thus have at least the unions' own professional staffs to turn to for guidance.

Other key figures will be representatives of senior management, one to each supervisory board. The union position has been to assume that such men will invariably identify with the managements' and shareholders' interests, thus weakening the employees' stance. It will be fascinating to watch whether that turns out to be so, or whether in some instances executives will see themselves more in the role of worker than of boss.

There seems no reason why, in a case such as Volkswagen, the new act should change what is already, by any standards, a constructive, working relationship on the supervisory board. In the last resort, moreover, the 1976 Act has given the supervisory board's chairman (who is in virtually every case drawn from the shareholders' side) a second, tie-breaking vote. That in itself has been a disappointment to the unions, who had long defined their goal of "parity" as meaning that neither shareholders nor employees' representatives would have an advantage. That indeed is the Mitbestimmung model that has been in force for over 25 years in the coal and steel industries, where in the event of a deadlock, a supervisory board calls in a neutral referee to decide the issue.

Not all companies, however, are prepared to take the positive view of the new supervisory boards as places where difficult issues can be resolved through debate, and where decisions are reached which—as in the VW case—bind the union members no less than the shareholders. In a recent private conversation, the executive chairman of a well-known non-ferrous metals group referred to the freshly constituted supervisory board of his company as consisting of two "Fraktionen" — the German word that is generally used to denote the opposing political groups in parliament. The plan, it emerged, was to sit the 10 shareholders' representatives and the 10 employees' delegates each along one side of a table like two governments negotiating formally. It did not seem to have occurred to anyone that a round table, for example, might have broken up the blocs—or perhaps no-one wanted it that way.

For what is clear from the essentially defensive attitude with which many managements are entering the new era is that West Germany's enviable record of industrial peace has not entirely done away with a deep, mutual mistrust between employers and unions. The attitudes towards the Mitbestimmung Act have been one symptom of management's profound wariness, for example in arguments that the members of the supervisory board directly appointed by trade unions might breach the legal obligation of confidentiality, by passing back financial information that could give union officials an unfair advantage in wage negotiations.

Stoppages

On the wage front itself, 1978 has been a hard-fought year, with long and costly stoppages in the printing industry and in the important south-west German metalworking and engineering industry. Both disputes led the employers to use the lock-out weapon—bitterly resented by the unions. And both touched, as well as wages, on the very complex issues involved in safeguarding jobs against excessively rapid automation.

National machinery to discuss matters such as these has broken down since the unions refused a year ago to attend the Concerted Action conference, in protest at the employers' lawsuit questioning the Mitbestimmung Act. It seems inevitable, therefore, that in part the discussion will be thrust back to the supervisory boards, since they must also be consulted when lay-offs on any significant scale are threatened, just as they must authorise investment in new plant.

It is a fairly safe prediction that many of the trade union-appointed and employee-elected new members of supervisory boards will find themselves in an exceedingly difficult position if they are asked, in effect, to choose between the financial health of a company and the preservation of jobs. A further lesson this spring has been the growing restlessness within some unions at what is perceived as spinelessness, or over-willingness by top national leaders to see the employers' point of view. In a few cases, mass resignations have been reported, while a round of works council elections last week indicated in some big companies a weakening of the unions' grip, with not insignificant gains by dissidents and extreme Left-wingers.

It is not impossible, therefore that the unions in general, and some of their leaders personally, will find themselves losing nearly as much as they gain from the Mitbestimmung Act. Some British union leaders, in their comments on the Government's industrial democracy White Paper, have shown that they are fully aware of the dangers of adding such heavy responsibilities to the power they already enjoy.

German supervisory board proceedings are, by law, confidential, and it may therefore be a year or two before outsiders will have enough decisions available to judge whether the presence of the workers' representatives is going to make any difference. It is, perhaps, excessive German caution that has led to the entire debate about giving employees a greater say to dwell so heavily on the potential hazards, and so little on the gains that many of the idea's sponsors originally hoped for.

By and large, the implementation of Mitbestimmung is going to depend on much the same group of people who have held responsibility for German industrial relations over several decades. Their track record is not at all bad.

Forecasting uncertainty

THE ONE certainty about business forecasting is that it is an extremely uncertain exercise. This is the point that comes through forcibly in a new publication by the Institute of Cost and Management Accountants, which aims to show how future risk and uncertainty can be measured in numerical form, in order to assess and compare the internal and external influences on a company.

The author is Gordon Humphreys, a director of management consultants Binder Hamlyn Fry, and the booklet is based on a publication produced by his company. As pointed out in the introduction, he is only concerned with forecasts used by managers to help make quantitative decisions.

These, he says, fall into two categories: first, in choosing the better of a pair of options (such as which is a better investment project); and second, calculating the best course from a large number of possibilities while taking account of conflicting constraints. Here, he cites the need to assess a capacity large enough to catch a market but small enough to avoid wasted investment.

Risks

While accountants are accustomed, when comparing projects, to allow for the different timing of results by discounting the values of cash flows at some future date, Mr. Humphreys says managers also need to discount forecasts by their relative uncertainty. Colloquially, he says, managers refer to "calculated risks," but "they rarely calculate them and as a result they often decide wrongly."

The book describes, with the aid of practical examples, the way in which management results can be improved by quantifying the uncertainty of forecasts and "aiming-off" accordingly.

Among a list of "do's" and "don'ts" of risk calculation, Mr. Humphreys points out that most managers are brought up to feel that a tonne of over-capacity or unsatisfied demand are equally sinful. But as failure to satisfy demand is often six to eight times more costly than over-production the need to calculate the right level of capacity rather than guess it is emphasised.

Analysing Uncertainty — An Introductory Workbook for Decision-Making, by R. G. Humphreys, available from the Institute of Cost and Management Accountants, 63, Portland Place, London W1N 4AB.

Nicholas Leslie

LOMBARD

A fixed interest in socialism

BY ANTHONY HARRIS

READERS OF my previous column will already know that Rowe Rudd, the stockbrokers, have uncovered a financial mystery that only deepens on close inspection. The central figure is stark: between 1966 and 1978 the public sector has acquired a net worth of £130bn—the excess of the current value of its capital assets over the market value of its obligations—and at first sight this sum has come out of thin air. The brokers urge the total indexation of public debt as a cure, and the failure to do so in the past as the cause of this advance by the State. However, my own calculations suggest that this is less than half the story.

The reason is simple: if the whole of the national debt had been indexed since 1976, it would only have grown at about half the rate of the public-sector's real assets. If only gilts and Government guaranteed long securities had been indexed, the increase would have covered a quarter of the public sector's apparent gain. What we have to account for is a gain in the range of £65-100m paid for by taxpayers and customers rather than savers.

The national accounts are suggestive, but no more. Over the whole of this period the gross saving of the whole public sector—the excess of receipts over current expenditure—totalled about £40bn; but that had to cover depreciation as well as new investment, and in no year was the reported saving as much as 5 per cent of the public sector capital stock. On a historic cost basis, the public sector was running down the whole time.

The clue

The clue to the missing billions lies elsewhere—in inflation accounting. The public sector is, in terms of the Hyde guidelines, 100 per cent geared: the gain represents a gain on monetary liabilities.

Now at first sight this is a flat contradiction. If the losses suffered by lenders account for only a quarter to a half of the huge balance-sheet gain to the State, how can the State's gain as a borrower account for the whole of it? The answer is that the losses suffered by investors were abated by large receipts of interest—indeed, currently it looks as if public debt once more promises a real return to its holders. But that is in historic cost terms. In inflation accounted terms, as John Flemming has forcefully pointed out—in the Bank of England Bulletin, of all places—these so-called interest payments are in fact largely *repayments of capital.*

In real terms, then, what has happened is this. Between 1966 and 1978 the losses of investors have allowed the state to acquire £30bn-£65bn of assets, depending on definition. The rest of the £130bn has been provided by taxpayers and above all by customers. They have had to finance the repayment of old and the accumulation of new capital under the name of interest charges, as well as the excess of current receipts over reported curent spending.

We are not discussing trivial sums, either. The total State acquisition of real assets in the space of 12 years is getting on for a *full year's national income;* this suggests an average burden on the private sector of, say, 7 per cent of total income. This is a positively Stalinist regime of State acquisition.

The dilemma

The inflation accounting aspect is not the end of the story, either. High interest rates and high inflation also have a cash flow effect, underlined in the evidence to the Wilson Committee from the accepting houses. In essence the "capital repayments" we have already discussed—disguised as interest charges—are front-end-loaded—they are biggest in real terms in the early years. This is why industry can no longer raise long-term loan capital in the markets—and also explains the poor standard of private sector housing sold on mortgage.

The State, with the power to tax and the power to print, has no comparable cash flow problems—only political discomfort; so the regime of recent years also explains why the State has become the sole source of outside loan capital to industry.

One final irony: a comprehensive financial reform now, with the State guaranteeing real value to savers, would actually confirm the *status quo* so far as past impositions are concerned, whereas long rates at their present level might even, if inflation abates, allow some claw-back for private savers. But this would be at the expense of taxpayers; and given the other advantages of orderly markets, protection of real wealth, and reduced taxes and subsidies, it is surely worth letting bygones be bygones.

THE WEEK IN THE COURTS

Strident critics of penal reform were uninformed

BY JUSTINIAN

SENSE AND NONSENSE vied with each other last week over publication of the report by the Advisory Council on the Penal System on Sentences of Imprisonment, recommending substantially lower statutory maximum penalties for a wide range of crimes to indicate the highest penalty the courts might inflict on all but a minority of dangerous offenders.

The strident, and depressingly predictable sensationalism of much Press treatment of the report — a characteristic theme was "the rapists' charter"—bore out the aphorism that if you talk good, sound sense on any controversial social issue there is a Pavlovian response on the part of the mob who are conditioned not to listen.

For those who were prepared to pause and listen there was much to digest and contemplate. In the light of the contemporary scene of crime and punishment, what was the Council asked to examine? The remit was simple. Does the present system of penalties provide a valid guide to sentencing practice?

Garrotters Act

Thus the Council quickly discovered that it was the courts that had constructed the modern sentencing system. The judges over the years have set the tariff of penalties, with little guidance from Parliament that had fixed the maxima so high that they bore little relevance to actual punishment meted out.

Given this historical background, it is hardly surprising that the penalties selected by the courts reflect a kind of simple-minded puritanism, the premise being that conduct we dislike will cease or sharply decline if only we pass a criminal law with harsh sanctions. Many of our criminal laws were enacted in an excess of righteous indignation.

Written at the random, accidental times when particular evils were perceived, the ensuing statutes were a cacophony of vocal opinion. One example suffices. The Garrotters Act of 1863, empowering the courts to order the whipping of adults, in addition to any sentence of penal servitude, in cases of robbery with violence was described by the Home Secretary of the day, Sir George Grey, as "panic legislation after the panic had subsided."

Little wonder, therefore, that the Advisory Council concluded that in the process of imprisoning offenders Parliament should in future play a greater role. Judges should not be given a blank cheque on which to write in the appropriate amount of punishment.

That the task is performed by the judges tolerably well was an argument for leaving the system as it is, warts and all. Yet the council could not, and did not shirk the duty of discussing seriously and soberly in public the thorny topic of sentencing.

It has produced a valuable document that should form the basis of public debate. And it would have been odd had it stopped there and not made its own proposals for the future. The scheme that it propounds will serve at least as a useful point of departure.

The council felt a more consistent statement of Parliament's view of the relative seriousness of offences was needed. And a greater accord should be achieved between the scale of seriousness with which Parliament viewed offences (by way of the Statute Book) and the scale of seriousness adopted by the judges (as shown in the actual sentences passed). Hence the scheme propounded was the forging of a direct link between what Parliament should prescribe as being the new maxima, with the highest penalty the courts could pass for the *ordinary* offender. The scheme is ostensibly vulnerable on the question of the criteria it formulates for cases where the courts would be permitted to go through the barrier of the new maxima.

In drawing the dividing line too widely (thus permitting longer sentences in too many cases) the council has not unnaturally compromised between disparate views among council members (not to say the public) about those crimes that require protection of the public against serious harm. The council has ducked the really difficult problem of defining dangerousness — itself a dangerous concept.

But it has raised the topic and looks to the unofficial committee under Mrs. Jean Floud, Principal of Newnham College, to point the way forward in a report early next year.

The need for rationalising the sentencing system might have been justification enough for proposing a new scheme for Parliament to consider. But the council was impelled by a secondary consideration towards its plan for a new system. Only a year ago it published an interim report advocating, loud and clear, a shortening of sentences in the lower and middle band of sentence lengths: it spelled out its belief that many sentences of imprisonment imposed on the vast majority of offenders are longer than they need be for any useful social purpose, and that nothing would be lost from the point of view of deterrence if they were to be significantly reduced.

No furore

That report evoked no public furore, such as was emitted last week by sections of the Press. Encouraged by any pronounced hostility to the idea of shorter sentences for the mass of offenders, the council built upon that earlier pursuance of the need for shorter prison sentences in fixing new maximum penalties.

The new system, moreover, would concentrate the courts' attention on the crucial distinction between those nuisances for which a taste of prison was adequate and those menacing individuals against whom society is justified in seeking to protect itself. In the current context of a prison service oppressed by a bulging prison population (and with little prospect of any relief from gross over-crowding) any alleviation would be welcome. Indeed the association of prison governors has already applauded the lead given by the council a year ago.

The council's sensible approach is dictated by the philosophy that the sentencing of offenders is the key to a rational penal system. And it has historical precedent to back it up. A hundred years ago the courts experimented with a restriction on the use of imprisonment. From 1878, when the prison service was nationalised, until the First World War the prison population dropped from 30,000 to around 10,000 with no discernible adverse affect upon the rate of crime. (Today it is over 42,000).

The propagators of nonsensical comment last week ignored both the report's closely reasoned argument and the sensible conclusions arrived at. Milder antagonists overlooked the fact that sentencing proposals cannot be viewed in isolation. They must be related to the prison system. Prisons, as we know them and have known them, are futile for any purpose other than temporary (and humane) containment. They are a scarce resource for any society, let alone one undergoing economic stringency. We need to husband these slender resources and use them where it matters most.

WIMBLEDON BY JOHN BARRETT

The ingredients of the best tournament in the world

DESPITE ONE of the coldest, wettest, and most miserable first weeks in living memory, with Thursday a total wash-out, there have been record attendances at Wimbledon. There were 197,454 paying customers—more than 1,500 better than the record set in 1975, and as early as the second evening overnight queues were forming.

On the Wednesday—the only day of "traditional" Wimbledon weather—the lines of hopeful fans snaked all the way round the ground and halfway to Wimbledon Common, so it was no surprise when the attendance figure passed 38,000 for the first time.

If success can be measured by public popularity, the 1978 championships promise to be the most successful in their 101-year history.

The reasons for Wimbledon's growing appeal are manifold, and are not solely a reflection of the world-wide growth of tennis. Quite simply, Wimbledon is the best tennis tournament in the world—a view shared by players, public and journalists.

Of course, Wimbledon tradition stretches back further than any rival venue. The present ground, opened in 1922 and wisely developed by the committee over the years, was a masterpiece of design. At its heart the Centre Court is an amphitheatre that combines in perfect balance the gladiatorial qualities of Rome's Colosseum, the historic ambiance of the Royal Albert Hall, and the dramatic expectancy of the Theatre Royal, Drury Lane. The competitors take on the role of actors and to play on the sacred turf is a privilege reserved to relatively few mortals and the experience either inspires or destroys talent.

Atmosphere is everything at Wimbledon and central to its very existence is the grass. Without such smooth velvety lawns, each one a mini arena where performers and public can communicate with a directness rare in international sport, Wimbledon days would be merely another stop on the circuit—albeit best organised and best appointed. All of us present at Forest Hills in 1975, the year that the grass at the U.S. Open was replaced by a "loose" rubble surface, were shocked by the diminished atmosphere.

The grass provides more than the sternest test of a player's reflexes, athleticism, concentration and inspiration. It contributes greatly to the garden party air (and usually a royal garden party at that) that is still one of the fundamental charms of the place.

Strawberries and cream on the public tea lawn . . . champagne bottles in the members' enclosure . . . a glimpse of the Duke and Duchess of Kent purring past in their Rolls-Royce . . . famous faces and a smattering of fashion (less now than in yesteryear) . . . hydrangeas and carnations everywhere—these are the elements that create the atmosphere.

Excitement

The excitement is provided by the players, unquestionably the best in the world, and playing nowadays for big money (though, deliberately, not record money) and they all recognise Wimbledon as the jewel at the top of the game's golden crown.

Cleverly the committee has preserved Wimbledon's subtle atmosphere by embracing commercialism at arms' length. The Centre Court, unlike most international sporting arenas, is unsullied by advertisements, and the ground remains free of hoardings. However, a few organisations have got themselves onto the list of marquee holders. British Petroleum, ICI, Barclay's Bank and Wilkinson-Sword . . . the cream of British industry is represented, and the waiting list for non-existent extra places is long.

These activities, together with a sponsorship fee from those companies concerned with the running of the championships, have together brought a healthy six-figure income to augment the regular income from ticket sales. The fact that £600,000 was returned this year to unsuccessful applicants for tickets suggests that there is scope to build another large show-court to accommodate the growing army of supporters.

However, although plans for such a scheme are on the drawing board, there is an understandable reluctance to change a winning formula. It is because of their scarcity that Centre Court seats are so sought. There would be a greater parking problem. At present those of the 35,000 who come by car can park within easy reach of the ground. There is no extra land to allocate to extra parking, and even some of the existing space would disappear if a new stadium was constructed.

Sadly, for British tennis Wimbledon completely dominates the national outlook. Whereas other countries have several major sites where tournaments can be staged and indoor purpose-built clubs where the game is enjoyed throughout the year in air-conditioned comfort here in Britain everything begins and ends with Wimbledon.

Because of governmental preoccupation with sport for all, there are numerous multi-sports centres dotted around the country. Few cater for indoor tennis, and, when they do, the time allocated to the sport is limited simply because the space can be more profitably used for other activities.

Thus Britain has become the poor relation of the tennis world in terms of facilities — a point forcibly made by national team manager Paul Hutchins recently. He believes that unless we can provide a national indoor training centre as the first of a series of purpose-built tennis centres around the country then the performances of British players will continue to disappoint the fans, as they have again at Wimbledon this year.

GAMBLING BY MICHAEL THOMPSON-NOEL

Rothschild must make it less of a lottery

WE HAVE been warned. At an anticipated 600 pages, next week's report by Lord Rothschild's Royal Commission on Gambling should prove a blessing to insomniacs — a golden vein of dusk-to-dawn reading that is the product of nearly two-and-a-half years' study and distillation of several million words of written evidence submitted by nearly 200 organisations and interested parties.

Fortunately for us all, Lord Rothschild and his colleagues were not asked to ponder whether commercial gambling is "good" or whether it is "bad." Such a futile question would have plunged the commission into a philosophical gluepot with a tightly sealed lid.

Even so, they have not escaped lightly, for their weighty terms of reference instructed them to launch themselves on an investigation of an industry whose total turnover, fuelled by the recent, manic flight into lotteries, now tops £8bn — a turnover that generates profits estimated at £960m approximately.

In the course of their studies, Lord Rothschild and his colleagues will have travelled and re-travelled across (and presumably beneath) the surface of an industry whose habits and growth have not been adequately charted since the last Royal Commission on Gambling in 1951.

This industry is now making large, though not necessarily excessive, profits out of the most liberalised gambling society in the world — an industry, moreover, that has been obliged in recent years to pick its path carefully through a hotch-potch of legislation that is so chaotic and obscure that even senior police officers say they cannot cope.

How radical will the Rothschild report be? One of the most prominent areas of investigation by the commission has been the contribution made by gambling towards the support of sport, and how it can be enhanced. But that is not the limit of the commission's brief.

It was also asked to peer and delve into the adequacy or otherwise of current restrictions on the provisions of facilities to gamble; the consistentcy—or rather ostentatious lack of it—of the legal and social parameters that apply to rival gambling sectors, notably off-course betting, football pools, casinos and now lotteries; and the practices and financial structure of the various facets of the industry and their inter-relationship with the gambling conglomerates' non-gambling interests.

To insiders, the true test of the radicalism or otherwise of this commission will be provided by its approach to the organisation and financial structure of gambling in Britain, for there is a small band of men—as friendless as the monarchists at Marston Moor—that believes that the best way to control gambling more fully, to milk its profits most fairly, is considerably to extend the State's involvement in gambling. Why settle for Premium Bonds and the poor old Horserace Tote, the argument runs? Why not nationalise all casinos and betting shops?

Painful

The thorn of State versus private enterprise in gambling is a painful one to grasp, so let us wait for the commission. Of more immediate, if more parochial, concern is whether commercial gambling in Britain is contributing enough financially to the sports that help generate its profits—indeed, to sport of all sorts—for it is a sad fact that much of British sport is operating on the slenderest of means.

Are the gambling conglomerates giving enough? Let us look briefly at the Ladbroke Group, the brand leader of organised betting, whose gambling interests now run to more than 900 betting shops, 12 casinos, 76 social and bingo clubs, a clutch of greyhound tracks, a cashcade of lotteries and its very own racecourse, Lingfield Park—interests which have helped fund its push into hotels, holidays and property so that in the year to January 3, 1978, the group's total profit climbed 58 per cent. to £24.28m on a turnover of £387m.

The Ladbroke chairman is a very astute man. Even in the days before the Rothschild Commission was set up, Cyril Stein had ensured that Ladbroke was seen as a generous and spirited contributor to sport, particularly to horse racing. But in the past two and a half years, Ladbroke has really gone to town—presumably in the hope of blending promotional and marketing common sense with a wish to appease the commission.

Ladbroke moved in at Aintree with a £1.6m management contract that virtually saved the Grand National. It announced big spending sponsorship schemes. It injected a considerable sum of money into the Boat Race. And at every opportunity it has sought to present itself as a generous fairy godmother to British sport.

This is not altruism. As I say, Mr. Stein is a very astute man. In fact he can argue, with total conviction, that the gambling combines are paying as much to sport as they can afford.

In part, this argument found acceptance 18 months ago in the Royal Commission's interim report, which concentrated on the football pools as a source of extra cash for sport. It rejected the idea of a special levy on the Pools Promoters' Association, saying its investigation "did not disclose any evidence of inefficiency or extravagance in the running of the business, nor suggest that profits were exceptionally high," though the commision said it would return to these and similar themes in its final report.

"They (the PPA) regard their payment of £2m a year to the Football League and the Football Association and the £800,000 to the Football Grounds Improvement Trust as their voluntary contribution to sport," the commission said. An attempt to extract further money from the pools promoters, the PPA maintained, would create a self-accelerating trend towards reduced turnover, smaller prizes, and a smaller tax haul for the Government.

This is the thicket in in which Lord Rothschild and his colleagues have been sifting evidence for two-and-a-half years. At the least their report is expected to call for a major overhaul of gambling legislation. It will probably demand greater hand-outs for sport. It will probably call for a complete rationalisation of Britain's mushrooming lottery craze. It may even venture into the complex sociological and commercial controversy of State vs. private gambling control, discussing—though probably dismissing—the arguments for a national lottery. At 600 pages it can spread its wings.

RACING BY DOMINIC WIGAN

George VI overshadows Eclipse

IN SPITE of carrying some £50,000 in added prize money the Eclipse Stakes, now sponsored by Joe Coral, seems to have lost a good deal of its prestige with owners and trainers in recent years.

The Sandown race which in former years often produced fascinating confrontations between the Derby winner of a few weeks before and the previous season's Epsom hero has generally been overshadowed by the King George VI of late.

This year it again looks like taking a back seat to Ascot's tremendously heavily endowed King George VI and Queen Elizabeth Diamond Stakes.

However, one feature which will encourage the sponsors, who must be more than satisfied with the results of their patronage of that great event the Joe Coral Northumberland Plate, is that Saturday's race has the makings of a closely fought affair.

The field seems likely to include Gunner B, Taxiarchos, Silver Lad, Radetzky and Stradavinsky.

The one who interests me most from this group is the last-named, a colt trained by Vincent O'Brien, who sent out Artaius to lower the course record for the Eclipse 12 months ago.

A good many racegoers on the Thursday of Royal Ascot dismissed the form of that afternoon's King Edward VII Stakes as "all wrong" and of little value because two maidens, Ile de Bourbon and Stradavinsky, dominated the closing stages.

By Saturday evening they may be reflecting in a different vein on that race, and thinking even further back to 1,000 Guineas day at Newmarket, when the English and Irish Derby winner, Shirley Heights, scraped home by only a short head from Ile de Bourbon, with the rest comfortably beaten off.

WINDSOR

6.15—Niagara Rhythm
6.45—Etoile des Indes
7.10—Calatena*
7.35—Bonandra***
8.05—Effect**
8.35—King Alfred
9.05—Tamanaco

TV/Radio

† Indicates programmes in black and white

BBC 1

11.25 am Cricket: Third Test—The Cornhill Insurance Test Series: England v. Pakistan. 1.30 pm Mr. Benn. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School (as BBC-2 11.00 am). 4.45 Great Grape Ape and Bailey's Comets. 5.05 Blue Peter. 5.35 The Wombles.
5.40 News
5.55 Nationwide (London and South-East only)
6.15 Wimbledon Highlights
7.20 Angels
8.10 Panorama
9.00 News
9.25 The Monday Film: "The Anniversary" starring Bette Davis
10.55 Tonight
11.35 Weather/Regional News

All Regions as BBC-1 except at the following times:—

Wales—1.30-1.45 pm Pili Pala. 5.55 Wales Today. 6.15-6.40 Heddiw. 6.40 Join BBC-1 (Wimbledon). 11.35 News and Weather for Wales.

Scotland—10.00 am Paddington. 10.05 Jackanory. 10.20 Grange Hill. 10.40-11.00 Three's Company. 5.55-6.15 Reporting Scotland. 10.55 Public Account. 11.30 News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.15 Scene Around Six. †11.36 "Night Class The Battle of the Somme" (tribute to the 36th (Ulster) Division). 11.56 News and Weather for Northern Ireland.

England—5.55-6.15 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

11.00 am Play School
2.05 pm Cricket: Third Test Wimbledon Lawn Tennis Championships
5.00 News on 2 with sub-titles
8.15 The Two Ronnies
9.00 Play of the Week
9.55 Dear Mother
10.45 Late News on 2
10.55 Match of the Day Special: Highlights of Wimbledon and Cricket
12.05-12.15 am Closedown (reading)

LONDON

9.30 am It's Life with David Bellamy. 9.55 Paint Along with Nancy. 10.20 The Undersea Adventures of Captain Nemo. 10.30 Little House on the Prairie. 11.20 21st Century. 11.45 Felix the Cat. 12.00 Paperplay. 12.10 pm Pipkins. 12.30 Untamed World. 1.00 News plus FT index. 1.20 Help! 1.30 About Britain: The Quiet Ways of Wales. 2.00 After Noon. 2.25 Monday Matinee: "The Lady Vanishes" starring Margaret Lockwood. 4.20 Clapperboard. 4.45 The Famous Five. 5.15 Batman.
5.45 News
6.00 Thames at 6
6.40 Help!
6.45 The Kenny Everett Video Show
7.30 Coronation Street
8.00 You're Only Young Twice
8.30 World in Action
9.00 Strangers
10.00 News
10.30 Appointment with Fear: "The Champagne Murders" starring Anthony Perkins
12.15 am Close: A poem by William Blake read by James Coyle

All IBA Regions as London except at the following times:

ANGLIA

[illegible]

ATV

10.20 am Survival. 10.45 George Hamilton IV. 11.10 Young Ramsay. 12.30 pm The Practice. 1.20 ATV Newsdesk. 2.25 The Royal Show. 3.40 Comedy Break: "Rhubarb," featuring Harry Secombe, Eric Sykes and Jimmy Edwards. [illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible] except: 1.20-1.30 pm Report West Headlines. 6.22-6.45 Report West.

SCOTTISH

10.20 am Junior Matinee. 11.30 Southern Report. 12.30 pm Gardening Today. [illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1

[illegible]

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]

BBC Radio London

[illegible]

London Broadcasting

[illegible]

Capital Radio

[illegible]

F.T. CROSSWORD PUZZLE No. 3,708

ACROSS

1 Can you find work in that headgear? (3-3)
4 Is full of praise but goes to pieces (6, 2)
9 Looked for an expression of disgust in a drunkard (6)
10 This ship stops short of actual disaster (8)
12 The girl to enchant a Scot (8)
13 Civilised source of evil to the city (6)
15 Dish made up in a panic (4)
16 She had a meal amid the festivity and came to life (7)
19 Instructed to advance with a cheese meal (7)
21 So the monster is returning (4)
25 State newspaper for the transvestite (2, 4)
26 Degenerate period in proper surroundings (8)
28 Penniless sensational literature (8)
29 The way up for the celebrities about one (6)
30 Exclusive rights about one of the invalids (8)
31 A lovely fellow has trouble with bad luck (6)

DOWN

1 Match box as legal precedent (4, 4)
2 Prize periods for our feathered friends (8)
3 Familiar with reception (2, 4)
5 Infrequent union of two regiments (4)
6 Preserve a sign for the Atlantic Isles (8)
7 Craft current in the sick-quarters (6)
8 Written in confinement (6)
11 Dad joins tennis champion in talk (7)
14 Officialdom becoming narrower in the end (7)
17 The stuff to make a newspaper come to an end (8)
18 Well produced from East Iran (8)
19 Locks Hebrew lawgiver with the right one inside (8)
22 Finish the business. Got it? You must be nervous (4, 2)
23 Notice the opening festival (6)
24 Was Heath misemployed? (6)
27 "Can storied urn or animated —" (Gray) (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

Spoleto Festival in Charleston

by ANDREW PORTER

Menotti launched his Festival of Two Worlds in the Tuscan hill town of Spoleto in 1958. Last year, a New World branch of the festival began in Charleston, South Carolina. Charleston, founded in 1670, is an attractive place. In the words of the 1911 *Britannica*, which still hold true, "the streets are shaded with the live oak and the linden, and are ornamented with the palmetto; and the quaint specimens of colonial architecture, numerous pillared porticoes, spacious verandahs, and flower gardens made beautiful with magnolias, palmettoes, azaleas, jessamines, camellias and roses give the city a peculiarly picturesque character." It lies on a low peninsula at the confluence of the Ashley and Cooper rivers. Upstream, there are 18-century plantations—the Palladian Drayton Hall; Middleton Place with its vast formal gardens in the grand manner, recreated in the rich vegetation of the South—to be visited.

Charleston once vied with New Orleans and Boston as a glittering colonial capital. The first opera given in North America was done here, in 1735. Kean and Macready played regular seasons. Thackeray wrote appreciatively of the place. Today it has two principal theatres, neither of them old, although the Dock Street Theatre, holding 450, is an attractive reconstruction of a Georgian playhouse. The Municipal Auditorium is an ugly modern building holding 2,700, which would be considered large in Europe but is about standard for an American opera-house. Other events take place in the city's numerous churches, and out-of-doors.

"Spoleto Festival U.S.A.", as it is called—which is hard on Charleston—seems to be the first American festival on the common European pattern: densely packed days of music, drama, and dance; of exhibitions, lectures, pageants, and parties; of sunshine and celebration shared by inhabitants and their visitors; and of short showers easily borne because there is plenty to see and hear indoors. The place is not Spoleto; it has no natural centre, nothing corresponding to that Piazza del Duomo on which stands the cathedral, a theatre, palaces, cafés, restaurants, and the festival offices; no Pavilion, Pump Room, or Assembly Rooms. But it is a good festival city; small enough to get around in on foot, and always interesting to the eye.

The regular events are noontime chamber concerts—in formal, as the Spoleto ones are, but less adventurous (in Spoleto, Jessye Norman, Pinchas Zuckerman, Christoph Eschenbach came to international attention for the first time; in Charleston, the musicians are drawn from a pool of admirable but familiar young New York players); afternoon "intermezzos" in one of the churches; long outdoor big-band jazz sessions; and opera, drama, and dance at night. Last year two operas were done. The *Queen of Spades* (the 1976 Spoleto production, by Filippo Sanjust, remounted in English) and *The Consul*, and both were rather well performed. The festival was a success. This year, it expanded from 12 days to 18 and included four operatic bills, but there was a drop in performing standards. In particular, the resident chorus and orchestra, the student Westminster Choir and the Festival Orchestra of largely student recruitment, obviously found their heavy burden of opera and concerts a strain.

La traviata, a recreation at second-hand, by Gianfranco Ventura, of a production Menotti did for the Fenice three years ago, was not festival fare. Luciana Serra, once of the Tehran Opera, is not exactly a negligible singer—the voice is even and secure; the notes are real, not fluttery—but she was an unmoving, routine Violetta. Renato Frusoni was a dull stick of an Alfredo. David Holloway, an admirable young New York City Opera baritone, was miscast as the heavy father. Samuel Barber's *Vanessa* received a better performance, with Johanna Meier in the title-role, Henry Price as Anatol, and as Erika, the latest in the line of excellent, cogent, firm and attractive young American mezzos, Katherine Ciesinski. Miss Ciesinski was a festival discovery. But oh! what a pointless and tiresome piece of synthetic flummery the opera is.

A cut-down version of Donizetti's *Il furioso all'isola di San Domingo*—abridged and instrumentally reduced—was squeezed into the Dock Street Theatre. *Il furioso*, which followed *L'elisir* in Donizetti's catalogue, combines its fresh, graceful inventions with elements of his high dramatic manner to form an engaging, unusual and interesting *opera semiseria*. But its merits were obscure in the Charleston production—as they had been in the similar Spoleto production that I reviewed in these pages in 1967. The staging was amateurish; the singing was patchy and mostly poor; and it was idiotic for this unfamiliar work to be sung to an American audience, by American singers, in *Ee-tally-arno*.

In Spoleto, Menotti kept his own music off the bills for 10 years. In Charleston, last year's *Consul* was succeeded, this year, by a pair of Menotti "church parables," *The Egg* and *Martin's Lie*. *The Egg* is coy and mawkish; *Martin's Lie*, as British audiences know, is at least an efficient little tear-jerker (it reaches its climax as a red-hot poker is brought closer and closer to dear brave little orphan boy's eyes), but it is a distasteful work. (Shortly before the festival, another Menotti one-acter, a kiddies' piece called *The Trial of the Gypsy*, had its premiere in New York: this also struck me as a trashy piece.)

I enjoyed my stay in the city. I heard some chamber music on a decent, if seldom on a really distinguished, level. But Charleston cannot yet be mentioned in a breath with Spoleto itself, with Aldeburgh (if Richter or Rostropovich were to play in Charleston, it would probably be in the 2,700-seater), or with any of the small-town festivals that through imaginative planning and imaginative commissions come to international attention. From a musical point of view, the festival was a wash-out so far as visitors were concerned. That first opera ever done in America was *Flora, or Hob in the Well*, a ballad opera with a text variously attributed to Colley Cibber and John Hippisley. Perhaps that's something the Dock Street Theatre should consider for next year; it held the stage in London through much of the 18th century. And what about the symphony *Charlestonia* by the local composer Edmond S. T. Jenkins (1894-1926), which had its first performance in the Ostend Kursaal.

Henry Price and Johanna Meier in 'Vanessa' — Peter Sanders

Greenwich

Hindle Wakes

by MICHAEL COVENEY

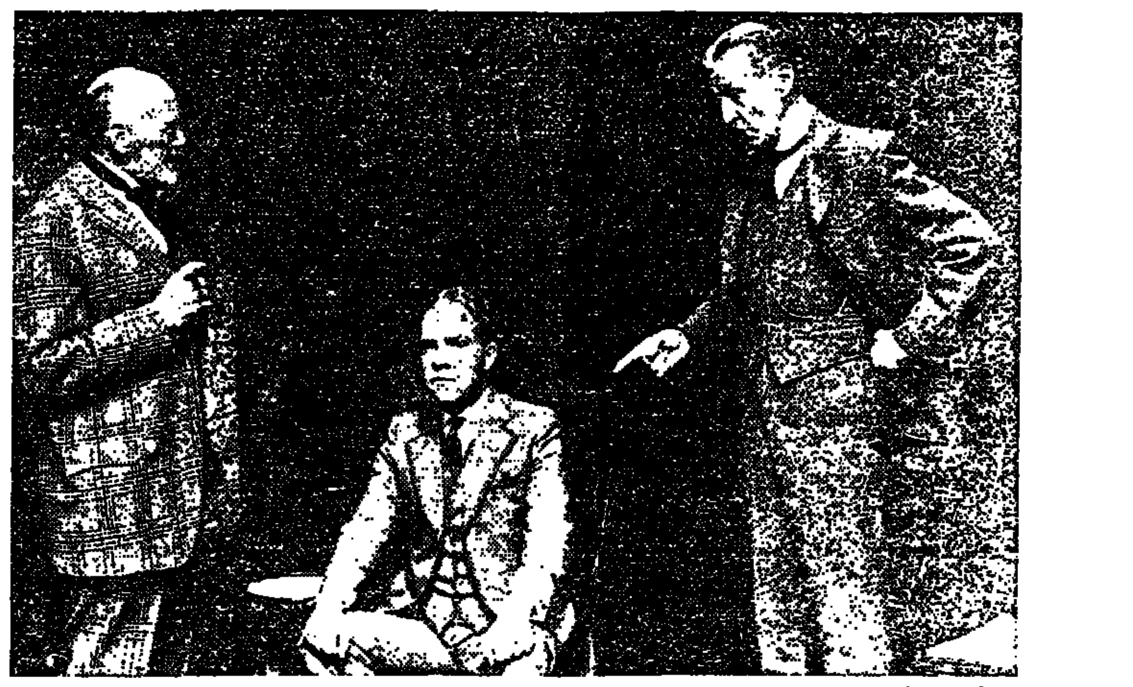
The Horniman season—and Ewan Hooper's interestingly eclectic reign at this address—is closed with a carefully affectionate revival by Robert Kidd of Stanley Houghton's 1912 Lancashire comedy. The play was a major success of the new repertory movement at the Manchester Gaiety, but its transfer to London, with Sybil Thorndike as the religious fiancée, virtually killed off the flourishing outpost.

The Bank Holiday wakes are disrupted with the revelation that Fanny Hawthorn has been off on a dirty week-end in Llandudno with the mill-owner's son while her parents believed her to be in Blackpool with a girl friend. That friend has been killed in a boating accident about which Fanny knows nothing until marching briskly in on a domestic scene pregnant with inquisitive apprehension. From this point on, the Hawthorn parents enter into cahoots with the wealthy Jeffcotes in an effort to decide the fate of the young couple.

The respective fathers are old friends separated in social rank only by Jeffcote's success as a man of power. Hawthorn, in fact, works for Jeffcote. He arrives at the palatial breakfast room to push his daughter's claim for a suddenly desirable match. Reversing the usual fictional scheme of wealthy young man too much in love to heed the social requirements of status, Houghton invests old Jeffcote with a strong moral line that insists on Alan doing the right thing by Fanny and forfeiting his inheritance.

But the elders reckon without the two girls, both of whom manage to reject Alan's suit as he shuffles weakly between them to have his idea of promiscuity as a strictly male prerogative rudely shattered. The play has a feminine ending in more ways than one, as Mrs. Jeffcote weakly reports that Beatrice, who has urged Alan to marry Fanny by way of a magnificent sacrifice, will, after all, receive him once more. Fanny's refusal is rousingly explained in her confession that the Llandudno escapade was, as it was for Alan, a mere lark and nothing to do with love.

The piece may have dated, but not irrevocably. The superior family are well played by Mark Dignam, Tom Chadbon and Clare Kelly, while John Gill and Anne Dyson are ideally cast as the Hawthorns. Frances Viner, a fine Beattie Bryant at the Shaw recently, contributes another strong study in burgeoning independence. There is a comfortable setting by Geoffrey Scott and appropriate lighting by Nick Chelton.



Arthur Lovegrove, Tom Chadbon and Mark Dignam — Leonard Burt

Covent Garden

Luisa Miller

by MAX LOPPERT

It is wonderful to have *Luisa Miller* at Covent Garden, doubly so whe a simple, tactful staging serves Verdi's opera with the kind of unassuming fidelity we have learned not to expect from most of today's opera producers. A feature of all Filippo Sanjust's shows is their subtle, poetic lighting (undertaken by the producer-designer himself)—this is, unfortunately, something that can be expected to decay swiftly in future revivals. On Saturday, with a new tenor and baritone in the cast, almost everything on stage looked well, and went well.

José Carreras was born to play the gentler, more romantic of the Verdi tenor heroes, and to fill their music with lambent, velvety tone and natural ardour of feeling. That ardour, in the playing as in the singing, is generalised. There is no noticeable difference between Mr. Carreras' Rodolfo here, and his Don Carlos, Alfredo, or Oronte on other occasions: hand movements, stance, the drift of facial expression, are all familiar. But since the Spanish tenor throws himself into all his roles with a passionate sincerity, and since he voices the music so winningly, one warms to him as much as ever. He wears his own hair, amidst a gathering of fully wigged men, with peculiar effect on the costume.

As Miller, Giorgio Zancanaro was introducing himself to the house. His is a forward, firm Italian baritone of very acceptable quality, but without the gift, especially in the great third-act duet, of drawing from the music the full range of tone colours it so richly rewards. There are also opportunities for soft singing in the part left under-explored (the same might be said of Mr. Carreras and "Quando le sere"). He tended to stroll across the stage inconsequentially in the first act, and to lapse into blankness of demeanour in the last — Miller is a more tragic figure than he allows.

Similarly, the scheming Count Walter does not sit entirely comfortably on the reserved, gentlemanly stage *persona* of Gwynne Howell (returned to health after missing the first night of the run), though his singing was always ample and cleanly focused. Let there be another bouquet of praise for Katia Ricciarelli in the title role: her fine-grained soprano shone on the stage like a beneficent diction. (If only she made more of the words, what an artist she would be!). All the elements of a deeply moving performance were present; but it needed a more "vocal," more yielding, less superficially brilliant conductor than Lorin Maazel to compound them.

Masses in July at St. Paul's

Notable settings of the Mass will be heard in St. Paul's Cathedral each Sunday in July at 11.30 am, sung by the Cathedral choir and choristers accompanied by the St. Paul's chamber orchestra.

On Sunday, July 16, the 150th anniversary of the death of Schubert will be marked by his second Mass in G. Mozart's Missa Brevis in D (K194) will be given on July 9 and his Coronation Mass on July 30.

On July 23 there will be a rare opportunity to hear Haydn's Nelson Mass sung liturgically.

Arts centre in Orkney

An arts centre housing a collection of 20th century paintings and sculptures worth £250,000 will open in May of next year in Stromness, Orkney. The centre is situated on a pier beside the harbour and the collection, which includes sculptures by Barbara Hepworth and paintings by Ben Nicholson, Palozzi and Patrick Heron, has been donated to Orkney by Margaret Gardiner, who lives in London and also part of the year in Rousay, Orkney.

Wigmore Hall

Peter Katin

by DAVID MURRAY

Mr. Katin's recital Saturday night, on behalf of the Campaign for Homosexual Equality, was devoted to Chopin. All major Chopin, in the sense of being original and unimprovable even if brief—and the pianist undertook it all with due seriousness. Mr. Katin is not notable for his imaginative abandon, but his musical powers were admirably exercised upon this substantial programme (for which his own notes offered a useful guide to his intentions). It made an evening of solid rewards.

Katin's unassertive virtues were most persuasive in the earliest piece here, the D-flat Nocturne Op. 27 No. 2, held in ecstatic suspension, and in the first movement of the B minor Sonata, big-boned and tautly organised. The Scherzo was fleet and extra-lucid, the Largo full of grave warmth; it seems to me that there is more saturnine ferocity in the Finale than Katin's view of it includes ("strongly rhythmical . . . triumphant and proud"), and I found it excessively mild. But "tremendous dignity and purpose" was an epithet well earned by his account of the A-flat Polonaise, and in the F minor Fantasy he sharpened the dramatic contrasts toward a ringingly defiant climax. H's virtuosity in the second Impromptu was almost apologetic. Barely constrained in the interest of a shapely overall reading.

Katin refuses to intrude himself into Chopin's music; penetrating intelligence is what he brings to it, marking the musical nodes with delicate precision. Just occasionally, the result sounds thin-blooded, though his touch is sturdy and assured. Scrupulous about articulating the harmony, he husbands the pedal severely: in the towering waves of the Barcarolle, he seemed to be continually pruning back the sound. And like many an English pianist, he allows himself more expressive freedom in a *cantilena* than with any ground-rhythm: there was a hint of spring-less plod in the pulse of the F-sharp minor Polonaise, as well as in the Finale of the Sonata. Given all that Katin knows about the music, he could come out to more striking effect.

St. John's, Smith Square

Orchestra of St. John's

by RONALD CRICHTON

The ten-day Festival in honour of the 250th anniversary of the church ended on Saturday with a concert sponsored by BAT Industries, by the eponymous orchestra. The programme celebrated the season we aren't having with a complete airing of Mendelssohn's *A Midsummer Night's Dream* music, not only the Overture and the lovely numbers familiar in the concert hall but every little flick and flourish he inserted in the dialogue. Four young players recited the relevant parts of the comedy.

Too much: read decently and carefully, without much life, the slabs of text went frigid, the words difficult to catch — the experience was totally untheatrical. Divorced from the staging (and from the German version of the play) for which Mendelssohn conceived them, the wispier fragments add nothing. The longer sections, however (including the Intermezzo and the mock-Funeral March), gave pleasure under John Lubbock's sympathetic direction. The vocal soloists were Alison Hargan and Diana Montague. Prospect Music Group provided the chorus.

The *bonne bouche* of the evening came at the end with a delightful performance by Sesto Bruscantini of Cimarosa's *Il Maestro di cappella*. In this short piece, an understable favourite with buffo baritones, an ageing singer deviously tries to shift the blame for his own shortcomings on to the players in the archestra. With a self-indulgent performer, it can go tedious. With Bruscantini, whose mellow tones exude a feeling of well-being, whose timing is masterly, who makes his points mimetically and musically, without forcing, it was a treat to watch and to hear. Even in these treacherously resonant spaces, the words were clear. Mr. Lubbock and the orchestra provided worthy support.

Guildhall School of Music

Shell/LSO finalists

by ARTHUR JACOBS

"I cannot think of a nicer anniversary present," said André Previn referring to his current celebration of ten years with the London Symphony Orchestra, "than to be so assured of the future of symphonic and solo playing." He was announcing the adjudication of the Shell/LSO Music Scholarship after all six of the young finalists had played during a three-hour session before an invited audience on Saturday evening.

Last year the scholarship was awarded for wind instruments: the winner, the oboist Julia Girdwood, has since appeared as soloist with the LSO itself. This year, again with preliminary rounds held in provincial centres, the competition was for strings and had attracted over 200 entries. Four violinists, a cellist and a double-bassist reached the final, with a first prize of £3,000 in view. Jacqueline du Pré was on the jury, as well as Mr. Previn and principal players from the orchestra.

Whether or not the shortage of good young string-players for recruitment into British orchestras is really about to be overcome, there was certainly a fine display of talent here. But how is a choice to be made between potential and achievement, between a 15-year-old still at school and a 21-year-old at the end of conservatory training? Disagreeing with last year's choice of winner, I complained in these columns that no criteria of judgment were stated.

Evidently sensitive to such complaints, Gerald McDonald as administrator of the scholarship has this time stated in the printed programme four main criteria which may be summarised as: technical skill on the instrument, grip on the audience, innate musicality, and potential for development. Even those four criteria, it seems to me, are unweighted and merely shuffled at random, and I could not declare myself happy with the result.

With a section of the LSO conducted by John Georgiadis, each finalist performed part of a prescribed concerto (Mozart for the violinist) followed by a piece with piano (or unaccompanied) of his or her own choice. Ravel's Tzigane, splendidly delivered, was the choice of the winner—Galina Stamenova, a 19-year-old Bulgarian violinist currently in her second year of study at the Guildhall School of Music. The runner-up was another violinist Duncan Riddell (18); and equal third awards were given to a 15-year-old cellist, Gillian Matthews, and to a 21-year-old double bassist George Peniston who tackled the rarity of a concerto by Cimador, an Italian composer who died in Bath in 1805.

What made me unhappy was that no prize went to 21-year-old Pauline Lowbury, who in my opinion played her Mozart violin concerto with far more strength of feeling (and undoubtedly bigger tone) than Miss Stamenova and then performed Ysaye's unaccompanied *Ballade* not merely with admirable technical resource and an appreciation of structure, but with a rare insight into the harmonic implications of its spaced-out line. I expect Miss Lowbury, as well as Miss Stamenova and Mr. Riddell, to progress to a distinguished career.

Newport Jazz Festival comes to Middlesbrough

One of the most ambitious jazz festivals ever staged in Britain takes place on July 21, 22 and 23 at Ayresome Park Stadium, home of Middlesbrough FC. Sponsored and organised by the Leisure and Amenities Department of Cleveland County Council the event will bring some of the biggest names in jazz to the north-east of England for the first time. Ella Fitzgerald, Oscar Peterson and Buddy Rich are just three of the major names signed.

Others include Lionel Hampton, Dizzy Gillespie, Mary Lou Williams, Jonah Jones, Bo Diddley, J. J. Johnson, Illinois Jacquet, Bob Haggart, Bud Freeman, Marian McPartland, Lee Konitz and Bill Evans.

As well as the American stars, the festival will also feature many of Britain's leading jazzmen including Chris Barber, Acker Bilk, Stan Tracey, George Melly, and the National Youth Jazz Orchestra.

Late-night jazz sessions will be held in six different venues in Cleveland. Each of the main concerts will have a British jazz figure as compere, one of whom will be George Melly.

Tickets will be priced from £1 to £7, with a season ticket of £25 to be offered for all five concerts during the weekend. Travel operators will be offering tours to Cleveland from Scandinavia and northern Europe, and the council is arranging for camping and caravan sites to be available for "budget" travellers.

Arts Council to increase value of literary prizes

Because of the serious erosion through inflation of the value of some of the smaller literary prizes administered by the Society of Authors, the Royal Society of Literature and other bodies, the Arts Council has decided to make funds available from its Literature allocation to increase the value of these prizes.

The Trustees of any prize whose value is below £1,000 will be invited to apply for grants to enable them to increase the prize to £1,000 and also to help cover their judging an dadministration costs. Small prizes below £500 will be eligible for grants to bring them up to £500.

The Council has confirmed its policy of not itself offering literary prizes.

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Monday July 3 1978

Competition in the air

THE AGREEMENT reached at the Montreal meeting of the International Air Transport Association over the weekend will be widely regarded as a victory for the consumer over an old-fashioned cartel. More accurately, it marks the recognition by the leading international airlines that the traditional approach to fixing fares is inappropriate in the new era of mass air travel in which non-scheduled carriers, encouraged by governments, have led the drive for sharply lower fares. It may have been Laker Airways which lit the fuse, but some sort of explosion, sweeping away many of the restrictive practices which have characterised the airline industry for so long, had become inevitable.

Charter airlines

The change of attitude among the scheduled carriers was apparent at the IATA meeting in Madrid last November. The director-general, Mr. Knut Hammarskjold, warned that the regulatory system was on the verge of collapse. "The forces of stability and order on the one hand, and of *laissez-faire* on the other, have been confronting each other," he said. "The scheduled operators are caught in the middle." Mr. Hammarskjold pointed out that pressure from governments and from consumerist movements appears to be favouring the non-IATA airlines at the expense of IATA members and that charter airlines were being given preference over scheduled operators. These comments reflected a general dissatisfaction which led to the creation of a five-man committee charged with the task of working out a new approach.

The committee, which completed its work earlier this year, called for a re-definition of membership of the Association; the adoption of a more open and accessible system of fares-fixing; cuts in the number of rules regulating in-flight service; and greater flexibility in the development of innovative fares. Two categories of IATA membership were proposed; one would involve participation in the normal "trade association" work, covering safety, technical, legal and other procedural matters, while the other, which would be optional, would involve participation in the negotiation of fares and rates.

Despite some opposition from airlines in the Middle East and Africa the committee's proposals were approved at the Montreal meeting by a substantial majority. The big question now is how far and how quickly the move towards greater price competition will go. It will take some time for the detailed implications of the agreement to be worked out and there is still uncertainty about how relationships between the airlines, the new-style IATA and governments will settle down. The influence of the U.S., in particular, will be crucial. Under its present chairman, Mr. Alfred Kahn, the Civil Aeronautics Board has put great stress on de-regulating the domestic airlines. Mr. Kahn has argued that price competition is in the industry's best interests, not least because it will force the airlines to pay closer attention to costs. He wants to encourage new entrants to the industry and abandon the CAB's paternalistic role, leaving pricing decisions to the discretion of management.

Some scheduled airlines outside the U.S., even those which supported the IATA reforms, are apprehensive about the application of this philosophy in an undiluted form to international markets. There are fears that U.S. opposition to the control of capacity, for example, could lead to fierce price-cutting and undermine airline profitability. It is also pointed out that state-owned airlines are subject to social and political pressures which do not apply to the private-enterprise carriers within the U.S.

Regrettable

It would be regrettable if this clash of philosophies were to lead to a new round of international squabbles about air fares, undermining the progress which has been achieved at Montreal. No one is suggesting, even in the U.S., that the world airline industry can be completely de-regulated; for all sorts of reasons governments will continue to intervene extensively in its affairs. But the task of reconciling competition and regulation is not easy. The airlines have shown they are prepared to dispense with artificial restraints on competition and it is up to governments to bring their approach to regulation up to date, in the interests of the consumer.

Arms control edges ahead

THE FIRST United Nations special session on disarmament has turned out to be a more worthwhile event than was generally expected when it opened amid much cynicism more than five weeks ago.

As at all United Nations gatherings, there has been a strong propaganda element. But the outcome has not been nearly so negative as many Western Governments had feared. Indeed many of the delegates who left New York at the weekend have been permitting themselves some modest self-congratulation.

Conventional

The West, of course, did not have it all its own way. The 28-page final document approved on Friday concentrates heavily, some would say excessively, on the need for nuclear disarmament. That is a laudable aim. But Governments like the British and American would have preferred to see equivalent attention paid to the need to limit conventional weapons, tackle the international arms trade and prevent the further proliferation of nuclear weapons.

The session's main achievement was undoubtedly the agreement to restructure the Geneva negotiating machinery so as to allow France to take its place at the table and open the way for China to do so at a later date.

It has long been clear that the previous arrangements were unsatisfactory. In the first place, the composition of the 31-nation conference was too heavily weighted in favour of industrialised countries to the evident distaste of the non-aligned nations. In the second, the arrangement under which Moscow and Washington shared the chairmanship between them smacked of super-power domination.

Following last week's agreement the conference is to be renamed and expanded to include more neutral and non-aligned participants. The chairmanship will henceforth rotate among all the 40 or so members, and the super-powers will be unable to dictate the order of business as they have tended to do in the past.

The Committee on Disarmament, as it will now be known, is to have a full-time Executive Secretary personally responsible to the UN Secretary General. Under these conditions, France has let it be known that it is prepared to attend the negotiations. There will at least be a seat for China, even if it is expected to remain empty for the time being.

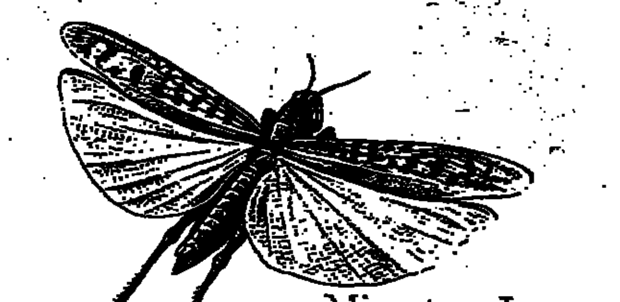
A further encouraging sign has been the decision by the U.S., the Soviet Union and the UK to clarify still further their intentions over the use of nuclear weapons. Although France and China are again lagging behind, three out of the five nuclear weapon states have now specifically committed themselves not to use their nuclear arsenals against non-nuclear powers—provided, that is, the non-nuclear powers do not launch an attack in alliance with a nuclear weapon state. More generally, Western governments feel that the session has had a useful educational effect in bringing out the complexities of disarmament issues.

No breakthrough

There have been no breakthroughs in specific negotiating areas. The session could not, of course, do more than express the hope that a new strategic arms limitation agreement between Washington and Moscow would be concluded as soon as possible. On the other hand, some real optimism now appears to be in order over the trilateral Geneva negotiations between the U.S., the Soviet Union and the UK for a comprehensive ban on nuclear testing. In Vienna, the East-West force reduction talks (MBFR) at last appear to be reaching the serious stage. If the special session has made little specific contribution to these negotiations, it is at least some achievement that all the UN's members have been able to agree on a single text on such a sensitive issue.

The year of the locust: a scourge returns

BY CHRISTOPHER SHERWELL



Migratory Locust

THE WAR against huge desert locust swarms which have built up in the area around the Red Sea and the Gulf of Aden has entered a critical phase after seven months. The chances of fending off what is potentially one of eastern Africa's biggest-ever crop disasters are diminishing daily.

To the south of the Red Sea the attempt to confine the swarms to north-eastern Ethiopia, Djibouti and north-western Somalia seems to have failed. A new campaign farther south in the Ogaden to stop them spreading still more, is already being planned, and a third, even farther south in Kenya, is thought likely to be necessary.

Swarms in the Arabian peninsula to the north of the Red Sea have moved eastwards. Those sighted as far east as western India, in Pakistan, the Arabian Sea and all along the peninsula coast are all thought to have the same origins. Fears are also growing that locusts will move west into the Sudan, Chad, the Central African Empire and beyond, as far as Morocco and Guinea.

Though the locust activity is still officially described as a "serious upsurge," experts now believe that with some 60 countries threatened the whole of northern Africa and much of western Asia—a fifth of the world's land surface containing a tenth of its population—is once again on the verge of a desert locust "plague." That term is used when many countries are infested. The position now is described as similar to that prevailing in 1949 before the last major plague, which endured 13 years until 1963 and caused much hardship.

Since then only a short-lived plague in 1968 has interrupted a falling off of the locust danger. Altogether there have been some seven or eight plagues this century. The first recorded threats go back at least 4,500 years, making the locust probably the most studied insect of all—hence the ability has been built up to plan battle strategies and campaigns, often highly successfully if the conditions are right.

Over the past year, however, conditions have been anything but "right," save for the locusts. Prolonged and widespread rainfall in the Red Sea and Gulf of Aden area last October and November provided exceptional conditions for the breeding of locusts which at that time had returned in large numbers—again thanks to the weather — from Chad and the Sudan in the Sahel and from the eastern end of the Arabian peninsula.

War and political instability have since hampered control and could still prove the biggest obstacle to the prevention of a plague. Ethiopia and Somalia fought each other early this year in the very area and at the very time when measures would normally be taken. More trouble reported from the same area both last week and this week will make any further effort to combat the locusts there well-nigh impossible, simply because of difficulties of access.

Quiescent decade

The Eritrean conflict, which has also hampered control in recent years though to a lesser degree, similarly complicates the problem. And to the north of the Red Sea control will also be more difficult as a result of last month's assassination of North Yemen's leader and the subsequent coup in South Yemen. Elsewhere the wars in Chad and the Spanish Sahara could pose further problems if the locusts spread westwards in great numbers.

On top of this, a decade of quiescence has allowed local ground control machinery in many parts of the Horn to grow rusty. As a result responsibility has effectively passed from local organisations to the Desert Locust Control Organisation of Eastern Africa (DLCOEA), an international grouping of seven countries (Ethiopia, Somalia, Kenya, Tanzania, Sudan, Djibouti and Uganda) which has its headquarters in Addis Ababa and an aircraft base in Nairobi. But DLCOEA, with its modest $2.3m budget, has its own limitations.

Of the DLCOEA's seven aircraft—the key to locust control—two are Britten-Norman Islanders given by the British Government late last year and have still not been adapted for front-line spraying operations. The rest, old Beavers, are used either to spray the vegetation eaten by the young wingless nymphs (or hoppers) with Dieldrin insecticide as they march in bands on the ground, or to spray the adult migrating swarms with Dieldrin or Fenitrothion.

Because these efforts have not been adequately reinforced with ground operations against the hoppers (using benzene hexachloride poison-bait) and with a reliable system of monitoring (since satellite surveillance can as yet be of only modest help), two or three generations of locusts have been allowed to breed in the Red Sea and Gulf of Aden area which, at 100-200 eggs a locust, has produced roughly 1,000 times more locusts than if effective control measures could have been taken. The increasing numbers have in turn stretched the system to its limit.

According to estimates emerging from the UN Food and Agriculture Organisation (FAO), which is helping the DLCOEA co-ordinate the battle against the locusts, a plague could put $15bn-$20bn-worth of crops at risk. Against this reckoning must be set the fact that the locusts would not eat all the crops in the areas threatened. More realistic assessments nevertheless put the figures for likely damage in the hundreds of millions of dollars range.

All locusts, be they the desert locust now threatening northern Africa and western Asia, the migratory locust with its various geographical prefixes (African, Asiatic and Oriental) or the red locust, are distinguished by their swarming and migratory behaviour. Fluctuations between plagues and recessions (when only few swarms infest one or two countries) are a product of meteorological factors and the locusts' gregariousness. Rain in the semi-arid areas that locusts inhabit provides suitable breeding conditions, and the multiplying numbers are crowded still further by a diminishing food supply, particularly as the rains recede.

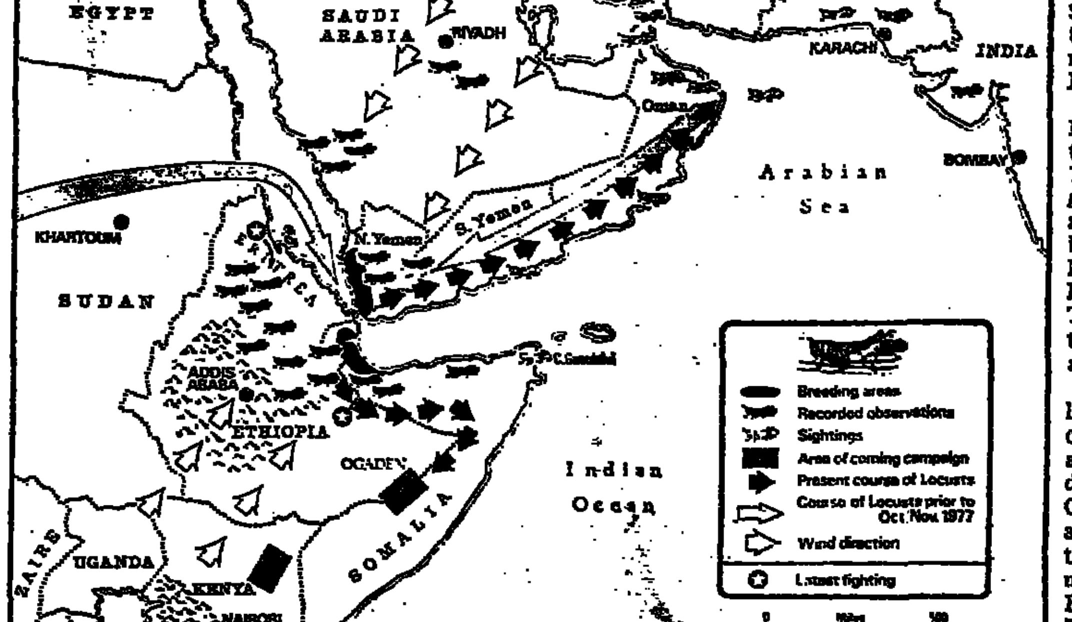
The locusts migrate in the swarms formed, carried on the prevailing winds during the day, settling in the evening, staying together and, uncontrolled, perhaps spreading into a plague if the conditions are right. The locust cycle lasts about three months before repeating itself, the eggs taking two weeks to develop and the hoppers acquiring wings after several moultings over five to six weeks.

Before chemical control came into fashion, the locusts were warded off with noise and fire. Some control was possible, either by exposing the locusts' eggs to air—they need water in the soil to develop, hence the locusts' search for rain—or by trapping the marching hopper bands in trenches and burning them there.

Statistics documenting the locusts' voraciousness indicate what an impressive dent they could make in a developing economy. Individual locusts need to eat their own weight of fresh food each day (2-3 grams), and a swarm 1 sq km in size contains anything from 40m-80m locusts (which adds up to 100-200 tonnes of food a day). Latest figures from the Horn show that four large swarms in Somalia (one of them put at no less than 400 sq km), together with 11 smaller ones, cover a total area of 1,560 sq kms. Recent reports have put the number of swarms in Ethiopia at 50.

Even discounting generously for inaccurate estimates, this means that possibly hundreds of thousands of tonnes of vegetation are now being devoured every day. In north-western Somalia, where no crops are grown and people live nomadic existences, taking their animals from pasture to pasture, the insects are eating the acacia bush. In Ethiopia the locusts have almost certainly attacked the crops grown by settled agriculturalists in the infested areas of the highlands. Locust flight activity is affected by temperature, so in the cooler highlands, which also happen to be well-covered, they tend to settle for days instead of merely overnight and wreak enormous damage.

Farther south, Somalia is concerned about inroads that could be made into the banana plantations which provide the country's main cash crop. Kenya, which has activated its locust emergency committee, and Uganda, whose president, General Amin, last week demanded immediate UN action, are both worried about the threat to crops grown in the fertile East African highlands because of the danger to exports as well as food supplies. The tea that Kenya grows there is the country's number-two export crop. And the area's main export, coffee, which is grown in the Rift Valley, is also threatened. The locusts do not like it, but when they settle, the trees break under the heavy weight of the swarm.



Recent developments indicate that all these fears may be more justified than ever. In the judgment of experts who have been monitoring the progress of the locusts from the Red Sea area, the battle to contain the swarms in the northern corner of the Horn is virtually lost. Sightings in the inaccessible Cape Guardafui area mean that the swarms have broken out and will be carried southwards by the prevailing winds.

At this time of year, with the dry north-easterly winds moving south over the Arabian peninsula to confront the moist north-ward-moving south-westerly airstream from Africa, the battleground over the coming three months is expected to be the Ogaden, provided it rains there and the locusts descend to lay their eggs. Fighting i Harar province could unde some efforts to contain th locusts.

If it fails to rain, the locus will move on to a place wher it does. In that event the mo likely battleground—and th one for which preparations ar also being made—is in the nort of Kenya, in a convenient are with accessible airstrips an away from the highlands. A campaign there would begin little later, in late October.

In 1954 the search for rai took the locusts beyond Keny to the heart of Tanzania, southerly point not sinc reached. If the locusts agai go so far—and migrations c 3,000 miles between generatior are not unknown—the dama they will leave in their wa will be enormous.

British help

Although Britain has agre to supply the DLCOEA with Land Rovers equipped f spraying (eight of which a due to be handed over by tl end of this month) and h promised two more aircraft, ar although other help is bei sought (the FAO has asked f $4m from international sourc to fight the locusts), the mo recent pronouncements fro DLCOEA are pessimistic.

Mr. Adelfris Bellehu DLCOEA, recently estimate that 50 lorries, 60 Land Rover 100 sets of camping equipmen ground-to-air radio equipmen and 100,000 litres of addition insecticide were needed. Earli Mr. John Malecela, tl DLCOEA chairman an Tanzanian Minister of Agricu ture, appealed for internation aid.

As the battle to head off tl locust threat to the south go on, countries east of the Ho are gearing up for their ow defence. In India the Locu Control Organisation has beg action in the Bangasantha di trict of Gujarat state, an neighbouring states, especiall Rajasthan, have been alerte Pakistan is preparing itself fc lowing reports of swarm crossing the Indian border i the south-east and of others o in the Arabian sea which shi have had to sail through. Locu movements all along the coa of the Arabian peninsula ai being closely followed.

If these efforts fail and tl present threat turns into plague, there is no guarante that it will be short-lived an every chance that it will di locate and disrupt both fledglin and developing economies. I the case of the Horn, the locust have already brought hardshi upon hardship. The irony ther is that without the widesprea and prolonged rainfall that pr duced the heavy breeding in th first place, there might hav been still fewer crops fo Ethiopians and still barer pa tures for the cattle of th Somali nomads.

MEN AND MATTERS

Capitalists of the world unite

Saturday, you may be interested to learn, was Free Enterprise Day—or so I was told by those tireless crusaders, Aims for Freedom and Enterprise. Today, Aims is presenting its 1978 "free enterprise awards" to Sir Marcus Sieff of Marks and Spencer, to journalist Paul Johnson and sundry others. These presentations come after the first fully international conference which Aims has staged since its formation was backed by Lord Beaverbrook at a war-time dinner party. Since then, it has battled away against nationalisation on the home front. But the 95 delegates who spent the weekend talking at the Washington Hotel in Curzon Street, Mayfair, were interested in declaring war on a wider scale.

One of those present was the Soviet dissident writer, Vladimir Maximov. I asked him why he was at a conference seeking to improve the workings of capitalism: "There is a strange alliance developing between capitalism and communism and I'm here to explain this is a huge mistake." Detente and peaceful co-existence were, to judge from the speeches and documents of the conference, a part of the Great Red Conspiracy.

There was a handful of retired generals and admirals around, amid a good crop of British and foreign industrialists. Michael Ivens, director of Aims, told me they were planning for action. Taylor Woodrow's Sir Frank Taylor had exhorted industrialists "to put their money where their beliefs are," so I asked Ivens whether industry mainly financed Aims' annual budget of £300,000. Yes, he told me, saying Aims had 3,500 members and had raised £500,000 for an anti-nationalisation campaign in 1974.

With the leadership of three Tory MPs — Rhodes Boyson, William Clark, and Stephen Hastings—a similar campaign is not excluded before the next elections. Ivens told me that Aims would be tough on Margaret Thatcher if she tried to follow Heath-like policies.

In law, British companies have to declare political contributions, but Ivens told me a loophole means that they can make "payments for services" which, he says, do not have to be declared.

To reach the conference, delegates had to pass a hotel display of underwear made of Union Jacks. I asked Ivens whether true patriots should not condemn such commercial exploitation of the flag; he replied mildly that he would not have chosen such a display to greet the visitors.

No rapiers

Few people would claim that the Italian International Bank has so far been successful — and its new managing director, John Baden, is not among the few. But he told me that he had left his post as director of Samuel Montagu on Saturday because he believes that the IIB "is on its way back and can be led onwards."

Like some other consortium banks, the IIB has had its share of problems. But Baden says this is because of "bad lending," in particular on property, rather than because of anything inherently wrong in the principle of consortium banking.

For him, the fact of having four banks as the IIB's shareholders ensures a broader base for business; he argues that there is an additional strength when all the banks come from one country. In the IIB's case this, predictably, is Italy. Baden claims they have similar interests.

Baden has been given a broad mandate but plans to lead the IIB into more management of syndicated loans. It is just about to announce a $15m five-year loan for Finmeccanica, the Italian State engineering industry. This will be its first Italian credit as lead manager, while it is also arranging a syndication for Spanish interests.

The bank plans to continue its emphasis on lira foreign exchange. Baden told me that his Italian is non-existent but that this would not be a drawback. He is also an able fencer—though he assured me that he does not expect to be using that skill in the boardroom.

Agro for agri

An unlikely international waif is what the grand old uncle of agribusiness, the Industry Co-operative Programme, has just become. For years this little-known body has been representing the interests of world-wide companies such as ICI, Massey Ferguson and Booker McConnell inside the Food and Agriculture Organisation of the UN. But last year it was unceremoniously served notice by the director general of the FAO, Edouard Saouma. And last week its hopes of staying under a UN roof by moving from Rome to Geneva came to naught when the governing council of the UN Development Programme failed to agree on the idea.

Behind this rebuff, lie months of lobbying, in particular by Dan Gallin, general secretary of the International Union of Food and Allied Workers Associations. This Geneva-based office brought its campaign to a head in May when it wrote to the UN Secretary General, Kurt Waldheim, saying that if "agri-business" is represented in the UN the unions should also be.

Despite this, Bradford Morse, the American who is administrator of the UNDP, prepared a working paper for his council which would have led to a slightly revamped Industry Co-operative Programme being housed in the UNDP. But when this was presented to *his* governing council, it was thrown out. Various Scandinavian and developing countries would not have it. So the Programme is on the road again.

Hot cups

Always in the van of technological change, our exporters have come up with a new product: heating elements for samovars. They are those containers which ensure that whenever you visit an office in the Middle or Central East you will be kept plied with cups of tea. Samovars are simple objects with a heat source at the bottom, hot water in the middle which can be drawn with a tap, and an open top upon which the teapot stands to keep warm.

In the Soviet Union there are tales of wood being stripped off passenger trains rolling to Siberia so that desperate travellers can be given their hourly cuppa. But in Iran, it seems, the teahouses of the Caspian moon have become potentially lethal. They have been using mineral-embedded heating elements, often from Taiwan, in which corrosive sea sand had been used instead of magnesium oxide. So Wellco of Hitchin, Herts, have begun selling the Iranians far safer elements; an export trade worth £4m a year is on the boil.

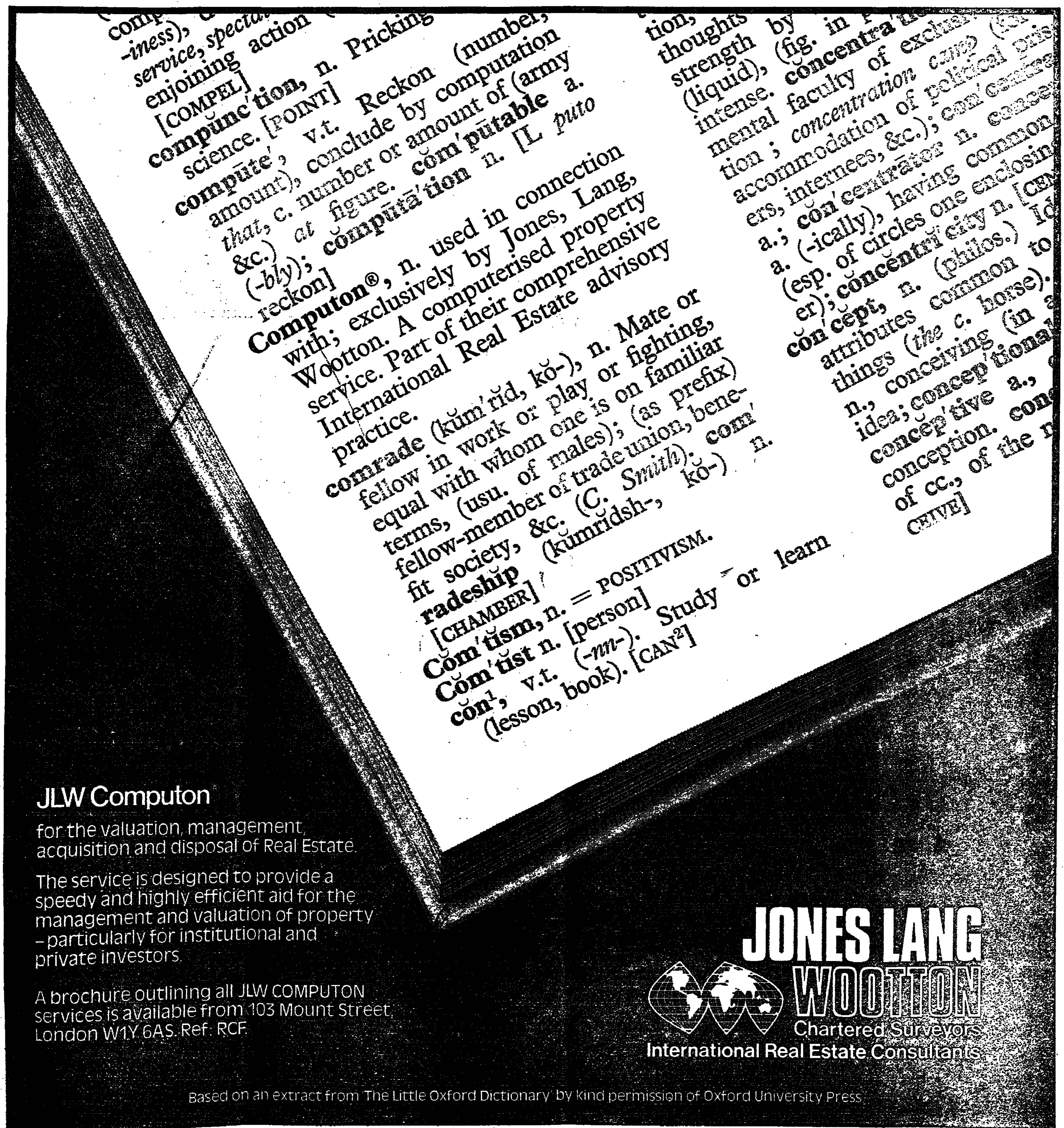
Observer

FINANCIAL TIMES SURVEY

Monday July 3 1978

Property

Institutional money is having more influence on the property market than ever before, and there is a growing risk of creating an artificial prime quality market based on investment considerations rather than functional worth.



The institutions play Monopoly

EVENTS OF the past year have confirmed a radical shift of influence within the property world. The major financial institutions have always underpinned the investment market. But these funds have now emerged as market leaders and, for better or worse, fund managers have inherited the mantle of the corporate property developers of the early 1970s, and of the individual property entrepreneurs of the 1950s and 1960s.

Having been left to shore up the ruins of the property industry after the 1973 crash, the pension funds and insurance companies—faced at the same time with the additional problems of finding a home for inflation boosted investable funds—have woken from their traditionally passive role as long-term property investors. Instead of waiting for suitable investment properties to cross their desks, fund managers have had to go out into an ever more competitive market where buying pressure has forced prices to levels that imply a distinctly optimistic view of future rental growth.

Scramble

One reaction to this scramble of institutional buying is to view property as a market like any other, where price is a simple factor of supply and demand. Open market theorists argue that the funds' cash will simply push up prices until the available supply of property is expensive enough to absorb the additional institutional money. In that event, property would hold its value as long as the institutions stayed in the market as buyers, and as long as the supply of properties was not significantly increased by another surge of development activity.

This is a persuasively simple argument. And if bricks and mortar had any intrinsic value beyond their worth as a source of rental income, or if the institutions viewed the sector as an extension of their art buying activities—as a store of capital value rather than an income flow—the simple supply-demand equation might be good enough. As it is, however, the past year has shown plenty of examples of commercial property values being dictated more by the funds' investment requirements than by any realistic view of a building's worth as an income producing asset. And the property market is faced with the danger that the unjustified optimism of the pre-crash developers will be adopted by today's fund managers.

The imperfections of the commercial property market leave ample scope for unjustified optimism. It is easy enough to stretch rental projections for a building to suit the needs of an institutional investment committee. And a keen buyer, conscious of the competitive pressure from other funds for the relatively narrow range of institutional quality property, is naturally susceptible to favourable rental projections even though he knows full well that, unlike similar income projections for his other main forms of investment, in property even the most experienced and responsible valuer can do no more than conjure with future imponderables. There are no guaranteed income flows to discount, for today's rent may disappear into a letting void, and tomorrow's reversion may be swallowed up in necessary refurbishment costs, or killed by changed locational or building requirements.

There is no firm proof that, even with possibly as much as £1.5bn to spend on property this year, the institutions have permitted their investment requirements to influence their buying judgment. But there have been some pretty strong indications that in the heat of the market judgments have become a little blurred.

Blurred judgment is one possible explanation for the paradoxical position of the past year when, although real domestic product has stubbornly refused to creep above levels last seen during the three day week in 1974, and all the indicators of industrial production have hovered around "no change," prices for industrial property have been forced well above the heady rates of the last property boom.

Trusts

It so happens that most industrial units fall within the popular £½m to £1m price range of the growth conscious property trusts and of the local authority pension funds now scrambling to catch up with the proportions of property assets held by their big brothers in the pensions world. Now, it may simply be that the medium- and long-term outlook for industrial property rents is excellent. And it is unquestionably true that good industrial property has performed very well in relation to other forms of property in the past ten years. But it is too much to believe that this sudden passion for industrials, a passion that has spread into developments and forced site values well beyond the seemingly crazy prices paid in the early 1970s, has nothing to do with the weight of institutional money.

As long as the funds are happy to believe that they will see the levels of compound rental growth implied by recent buying yields, all well and good. If those levels prove to be too demanding, open market theorists would expect values to drop, new developments to cease, and an eventual property shortage to force rents back up to levels that would bring the buyers back in.

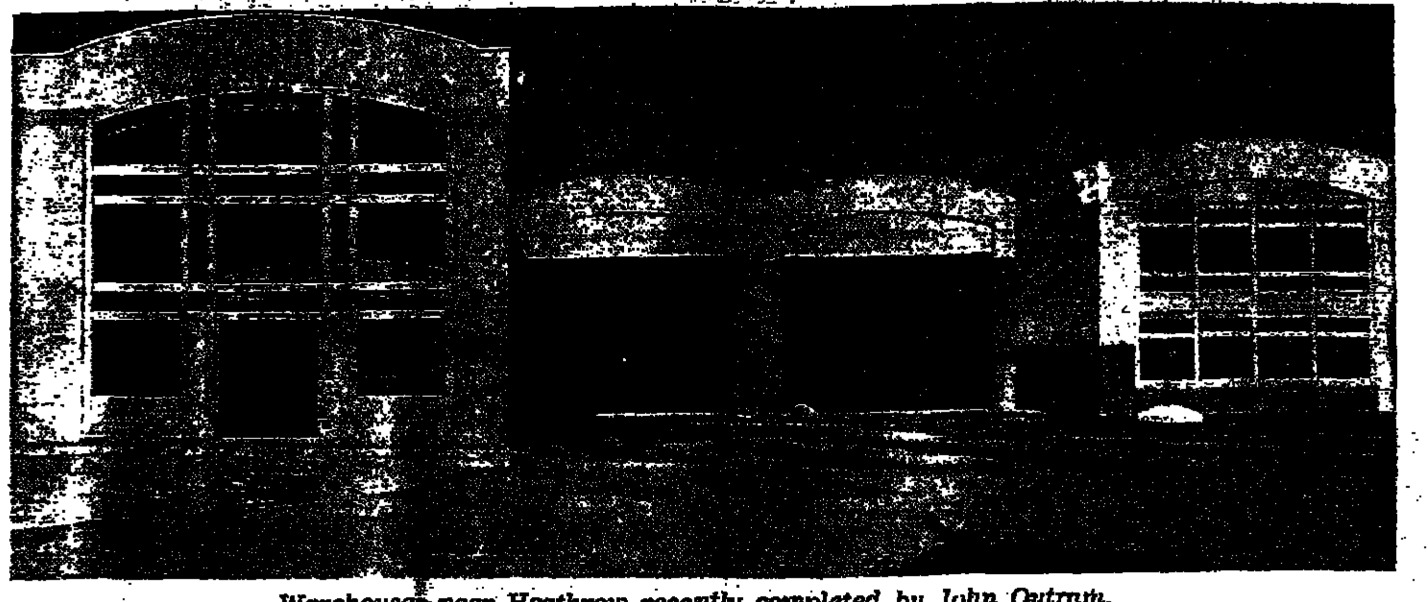
But now that the institutions have the lead in the market, it is possible that funds' continuing buying power, their difficulty in finding alternative homes for cash, and their policy of generally locking away properties for all time, would support an artificial market value for institutional quality property, a value that stood even further away from any underlying rental worth than it does today.

There has always been a two-tier property investment market, with premium values for properties that fall within the buying parameters set by the funds. But any further move towards an artificially supported "prime quality" market would take commercial property away from its functional role as industrial, shop or office accommodation, towards some abstract investment media, in effect a form of Penny Black stamp or Durer painting writ large, where value is dependent upon buying pressure alone. Taken to the extreme, a separate institutional investment market in this form would best be served by hermetically sealed buildings never actually used except as non-depreciating tokens of value.

If the investment market can survive on self-fulfilling projections, it is reasonable to ask whether it really matters if the funds' buy their way out of the real property world into a large-scale Monopoly game?

One answer is that it would matter for tenants, who would be asked to play this abstract investment game by accepting rent reviews that fitted the investment values of their properties rather than market rental levels. The tenants would, of course, object, and institutional property owners would either have to revise their post-purchase investment values or accept significant voids. If they eventually inherited a near monopoly of new developments they might even be able to dictate rental values as a factor of investment costs. Whatever the result the institutional lead in the market, essential during the past few years of property company degearing and general property investment market recovery, could prove to be an inherently destabilising influence in the long run. As this lead now looks irreversible, the market will have to learn to live with it.

John Brennan
Property Correspondent



Warehouses near Heathrow recently completed by John Outram.

A diary of the year

JUNE: An active month in the investment market. Capital and County sells its Knightsbridge estate to the British Petroleum pension fund for £45m. Bernard Sunley Investment Trust acquires Legal and General's residential properties for £15m, and Norwich Union signs to finance the £24m Queensgate shopping centre in Peterborough. The Government's White Paper on inner city renewal is published, and there are signs of an upturn in the industrial property market. King and Company's quarterly floorspace survey shows a drop in the amount of vacant factory and warehouse space for the first time since 1974. But property shares slide on disappointment over Land Securities' cautious revaluation, carried out on an equated yield of 8.66 per cent.

JULY: Norwich Union pays £20m for UK Provident's 110,000 sq ft office development in Queen Victoria Street, London, and Bernard Sunley joins with London Mercantile Corporation in the £11.25m purchase of Mapel House on Tottenham Court Road. The Combined Petroleum Pension Fund finances a £9m second phase of the Kingfisher shopping centre in Redditch. DoE figures show a 43 per cent increase in new private industrial building orders in the May-July quarter. A revaluation of the Bank of England's properties throws up a £52m surplus, and Legal and General pays £16m for 90 per cent of County and District's Chatham shopping centre in a trend-setting "side-by-side" financing deal.

AUGUST: Minimum Lending Rate is cut by ½ point to 7½ and subsequently falls to 7 per cent. Capital and County's accounts shows that the Knightsbridge sale, and the £11.5m sale of a 75 per cent stake in the Victoria shopping centre in Nottingham to ICI's pension fund, formed part of a degearing process cutting debts by £240m in eighteen months. Another degearer, MEPC, agrees to sell its Canadian subsidiary to Pensionfund Properties for £27.3m, and British Land's shares are suspended pending a refinancing deal. Contractor George Wimpey decants its £150m property portfolio into a separate subsidiary, Wimpey Property Holdings. The Government launches its first sponsored Industrial Improvement Area in Newcastle-upon-Tyne.

SEPTEMBER: Peachey Property Corporation rejects a surprise £11.8m takeover bid from Allied London Properties as MPs call for an investigation into the late Sir Eric Miller's gifts to politicians. British Land reveals a complex, £50m-plus refinancing package and its shares are requoted. Accountants clash with the property industry over calls for depreciation of property portfolios under new accounting standards. MLR falls to 6 per cent.

OCTOBER: Town and City Properties and Prudential Assurance sell Berkeley Square House for £37.5m to the British Rail and the Airways Joint pension funds. Barclays Bank sells the financially disastrous Astro office tower in Brussels for just over half its £35m cost, and British Land negotiates the £12m sale of its Setanta Centre in Dublin to the Coal Board's pension fund. The Government announces a £150m aid programme for inner city renewal between 1979 and 1982 and talks of waiving Industrial Development Certificate controls in inner city areas. Accountants back down on the question of property company depreciation, giving the industry a year's grace before it has to conform to new reporting standards, and launching an investigation into property accounting systems. And further cuts in MLR take the rate to 5 per cent.

NOVEMBER: Barclays Bank arranges the £20m sale of the Grasshopper Property Unit Trust's portfolio to General Accident, and in another portfolio sale Sun Alliance pays £28m for 11 of Rank Organisation's properties including the 200,000 sq ft Barclaycard Centre in Northampton. The Gas Board's pension fund pays £17m for 76 vacant shops from Meakers. The Country Landowners Association dismisses fears of an institutional takeover of agricultural land, reporting that pension funds and insurance companies own less than 3 per cent of farmland. MLR jumps to 7 per cent.

DECEMBER: Judge Fay's report on the Crown Agents' losses shows that property accounted for £121m of the Agents' total deficit of £195m. Bryan Davies MP introduces a Private Member's Bill to regulate estate agency and the launch of the Inner Urban Areas Bill is smoothed by news of further aid for inner cities bringing special Government support for urban renewal to £350m. Trafalgar House negotiates for the sale of three City of London properties: a direct sale to Prudential Assurance of Billiter Building for £20.5m, the £10.9m sale of its interest in Leadenhall House to Norwich Union, and the forward sales of its Wine Office Court development near Fleet Street for around £20m.

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JANUARY: John Laing drops out of the £25m Eastbourne central area development leaving Town and City and its financing partner Legal and General Assurance to take over the development again. European Ferries plans a £20m 300,000 sq ft office scheme in Lambeth, and stockbroker Victor Sandelson launches an abortive takeover bid for [illegible] of the London Pavilion on the strength of redevelopment plans for the Piccadilly Circus cinema. Kenneth Cork calls in the Fraud Squad to investigate complaints about the break up of William Stern's £200m property empire. MLR cut to 6½ per cent.

FEBRUARY: Standard Life Assurance in conjunction with Greycoat Estates reveals plans for a £30m-plus, 790,000 sq ft office complex at the Cutler Street warehouses on the City fringe near Liverpool Street Station. Negotiations to move the Baltic Exchange to the scheme continue. U.S. bankers Morgan Guaranty Trust give the City of London its most spectacular letting in years when they take the whole 225,000 sq ft Angle Court office development behind the Stock Exchange Tower for around £16.50 a sq ft. Friends Provident backs Regional Properties with £8m of mortgage money.

MARCH: Town and City negotiates deferred payment for £94m of its short-term debt in a refinancing deal that saves an immediate £3.6m a year. Baring Brothers, with £15m finance from Electricity Supply Nominees, goes ahead with plans for a 145,000 sq ft HQ building in Bishopsgate. The £200m Property Unit Trusts Group adds to a chorus of cautious comments on "overheating" in the property investment market, questioning the rent assumptions behind prime office yields of 5 per cent.

APRIL: Chancellor Healey speeds the upward move in Minimum Lending Rate with a 1 point rise to 7½ per cent incorporated in his Budget, which includes the extension of building allowances to industrialists taking leaseholds for over 50 years and additional allowances for hotel and agricultural building construction. Bank of England restates policy on restrictions of bank lending to the property industry. Heron Corporation and Union Assurances de Paris announce £40m redevelopment scheme for the former Figaro newspaper site on the Champs Elysees. Stock Conversion's former Tolmers Square development site in the London borough of Camden finally goes ahead, but Greycoat Estates and McAlpine win the council's contract. Tesco backs out of a superstore plan in Haringey after political opposition locally, but goes ahead as the store group in Legal and General and British Rail's £13m market and freight complex development plan in Neasden, North London. Chevron Oil Service becomes the first tenant of the £45m 35,000 sq ft Army and Navy office scheme in Victoria Street, SW1, one of the largest unlet developments in Central London.

MAY: English Property Corporation announces that it was holding talks with a Continental group about a possible takeover, and John Laing and Sons reveals plans for a separate stock market quotation for its £85.5m property investment division. Despite a rise to 9 per cent in Minimum Lending Rate the property investment market is active; Pearl Assurance pays £11m, to show a yield of just over 6 per cent, for the first phase of Wimpey's Wingate Centre office scheme in the City's east end, and National Westminster Bank's pension fund pays the Duke of Norfolk's estate £11m for a 125-year ground lease on the Arundel Great Court offices in London's Strand, achieving an initial yield of around 5 per cent. Peachey negotiated the sale of its 520-flat Park West apartment block in the West End for over £10m. A letting tender for the 85,000 sq ft St. Mary's Court shows how sharp the competition has become for large City offices. And the City Corporation goes into partnership with the Trade Development Bank to carry out a 127,000 sq ft office development in Lower Thames Street, EC3. Viking Properties and British Rail plan a £5m Liverpool St. centre development. But the Government blocks Soviet Embassy plans for a fortress-like diplomatic enclave in Kensington. Ministry of Agriculture figures show that the average price of farmland has reached £1,117 an acre, and DoE figures show that in 1977 pension funds invested £535m in property compared to a £410m investment by life offices. MLR jumps to 8¾ and then to 9 per cent.

JUNE: Greycoat Estates and the publicly quoted Chaddesley Investments agree terms for a merger, and the three-year-long battle for Estates and General Investments results in agreed terms for a merger with the private County and Suburban Holdings. A 21.8 per cent valuation surplus on Land Securities' portfolio in the year to the end of March values group properties at just under £1bn but cautious talk of a subsequent slide in values leaves the share market limp. Hambro Life Property Fund buys 20 properties from Town and City's County and District portfolio for £18.8m at an average yield of 6 per cent. The BBC's pension fund pays £14.3m for the 135,190 sq ft St. Catherine's House, London, WC2, on a strongly reversionary initial yield of 5.7 per cent, while Electricity Supply Nominees passes its Lutyens House block to the National Water Council's fund for £10.2m. Fleming Properties Unit Trust acquires Tate and Lyle's three-quarter interest in the 102,000 sq ft Sugar Quay offices in the City for £9.5m on a 6.5 per cent yield. MEPC arranged medium term bank finance for its remaining major UK developments, but Hammerson confirms that it is unlikely to carry out new developments in Britain in the near future.

The Government relaxes restrictions on land acquisitions under the Community Land Act and confirms a £100m loan allocation for land purchase in the next two years. The Greater London Council talks of a 300-acre free trade zone in Docklands, and unveils an £855m road, and industrial incentives programme for Central London. MLR at 10 per cent.

JOHN BRENNAN

The investment potential

THE VIEW of the bulls in all markets is that there is a vast weight of money from investors, normally institutions, waiting to be committed which must push up prices before long. This view has been held with greater or lesser conviction by many people in the property world for much of the last decade. Events have, however, shown that there is rather more to investment decisions and prices than just the weight of potential money available.

At one level, it is, of course, true that there is a large and growing amount of institutional money in the hands of life assurance companies and pension funds which is potentially available for investment in property. The snag is that this money is also available for investment in equities, gilt-edged stock, on the short-term money market, in commodities and, recently, even in fine art.

The growth in personal savings flowing into life and pensions funds has certainly been remarkable. According to Central Statistical Office estimates on the use of personal sector funds, inflows to these institutions rose from £2.93bn in 1972 to £6.52bn in 1977.

But this gives nothing like a full indication of the increase in the amount available for investment by these funds after taking account of investment income less benefits paid and administrative costs. The best estimates suggest the cash flow of these funds has risen by about three times to £6½bn since the start of the decade, both as a result of inflation and a rise in the real level of savings as a proportion of disposable income.

The proportion of this money going into property, has, however, fluctuated. During the current decade the percentage has varied between just over 10 per cent to just under 24 per cent with an average of roughly 18 per cent. The fluctuations have reflected both the boom in property purchases, and values, in 1973 (and, because of time lags, in 1974), and the greater attractions of other investment media, such as equity and gilt-edged stocks in 1975-76.

The explanation is that while institutions may have a long-term strategy about how much of their total assets should be committed to equities, gilts and property, the short-term proportion of cash flow going to various investments is likely to vary sharply depending on market conditions. Thus the percentage of total cash flow going into equities and gilt-edged stock totalled no more than 15 per cent in 1974 with nearly 50 per cent left in short-term money market assets. However, in 1975, there was a decline in holdings of short-term assets and purchases of equities and gilt-edged stock accounted for over 80 per cent of cash flow.

The percentages going into property have tended to fluctuate less sharply than this (as mentioned above) because of the somewhat lumpy character of property itself. Thus a sizeable amount of institutional purchases of property in any year will consist of spending on developments phased over a number of years or commitments on investments agreed in the preceeding year. The supply of properties does not vary quite as much as does, for example, the supply of gilt-edged stock.

When these proportions of a steadily rising total cash flow are translated into actual spending then the fluctuations become rather smaller. Thus total purchases of land, property and ground rents by life assurance companies and pension funds have varied between £749m, £710m, £906m and £905m in the last four years, according to the Government's statistics.

There has only been an indirect correlation between these figures and the level of yields for prime commercial pro

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Stock market shows its confidence

BY LATE JANUARY of this year property share prices on average, had regained nearly 55 per cent of the ground lost during the November 1973 to November 1974 collapse of the early 1970's property boom.

In the space of just over a year the property share index plummetted from an all-time peak of 357.40 to 79.19. After a false start in 1975 when the property share index climbed back to 241.22 inspired by falling interest rates and the end of business rent controls, the index dropped back to 95.95 in late October 1976 as confidence evaporated when the minimum lending rate (MLR) was rapidly increased from 11½ per cent to 15 per cent. However, the investment scenario for property share was almost entirely favourable during 1977 with interest rates and prime property yields falling sharply and rental growth increasing.

These conditions prevailed until the end of the year though the late November rise in MLR from 5 per cent to 7 per cent represented a potentially dark cloud on the horizon. Investors, heed such warnings having seen the bull market of 1977 produce an average appreciation in property share prices of 75¼ per cent, compared with the near 43 per cent rise in the All-Share Index. Additionally, little attention was paid to the growing institutional resistance to further reductions in prime property yields which during 1977 had fallen from 6½ per cent to 5 per cent in the case of offices, from 6 per cent to 4½ per cent for shops and from 8½ per cent to 6½ per cent for industrials. Yield shifts of this magnitude produced capital appreciations for absolutely prime property of between 27 per cent and 33 per cent before taking into account the further gains generated by rental value growth.

Factoring in rental growth indicates that prime property investments probably achieved an overall capital appreciation of around 50 per cent in 1977. However, the distinction between prime and secondary investments became increasingly pronounced as the year progressed with the good continuing to improve whereas secondary propositions registered only marginal year on year value appreciation. The major investing institutions firmly resisted the temptation of the higher initial yields offered by the secondary market and continued to concentrate their investment programmes on prime situations which increasingly were in short supply.

Favourably

With investment fundamentals combining so favourably in 1977 and with the underlying bull market factors appearing to gain in strength as the year progressed, the rising trend of property share prices continued into the early part of 1978. Bearish considerations such as the threat of rising interest rates and the low level of direct property investment yields were pushed aside by the expectation of a continuing and intensifying shortage of prime property in both the letting and investment markets. The bulls argued that excess demand would be more than adequate to sustain the prevailing property investment yield structure. In any event, the argument continued, rental growth would be sufficient to take care of any foreseeable rise in property yields and, consequently, the latter factor would not impact adversely on capital values. At worst, property investments might merely go ex-growth temporarily while the property yield structure adjusted to a slightly higher level.

While the scarcity aspect of the bullish case could not be easily refuted in the short term, there seemed to be a number of blind spots in the argument. Too much reliance appeared to be placed on the implied belief that time and inflation would take care of everything—a view last prevalent during the terminal phase of the 1972/73 property boom.

The defects of the bull proposition for property and property share during 1978 might *be summarised as follows. First,* the widely-held expectation that pressure of institutional funds competing for a property outlet would continue to intensify ignored the implications and potential consequences of the authorities taking action to rein in and to regain control of the money supply. The rise in interest rates caused by a constrained money supply would increase the relative attractions of gilts vis-a-vis property and consequently lead to a weakening of property investment yields. Secondly, a tightening of the money supply would moderate the growth of institutional new money available for investment, while qualitative controls on bank lending would restrain advances for property investment and development. Thirdly, although the strength of the recovery currently occurring in the economy has probably been under-estimated it seems likely that expansionary forces will moderate as 1979 progresses. Therefore it should not be assumed that the recently attained levels of rental growth can be sustained for very much longer.

On best expectations prime rental values could rise by between 8-10 per cent a year over the longer term. Combining this rental growth forecast with current long-dated, high coupon gilt yields of 13 per cent suggests that prime commercial property yields might be expected to rise back into the 5½-6 per cent range. However, given the prospect that interest rates might start to edge downwards before very long, it is thought that the upward adjustment in property yields will be restricted to around half a percentage point this year. A yield shift of this magnitude would probably be sufficient to cancel out the benefits of 1978 rental growth and consequently prime property capital values would show little year on year change.

Since mid-April of this year MLR has been raised sharply from 6½ per cent. to 10 per cent having earlier moved up from its October 1977 low of 5 per cent, and the yield of 2½ per cent Consols has advanced from under 10½ per cent through 11½ per cent at the end of last March to 12.3 per cent currently. In addition the "corset" on bank lending has been re-introduced and property yields have edged upwards though the adjustment to-date has been compartively modest. These factors halted the 15-month rise in property share prices dating from October 1976 towards the end of last January and resulted in sharp reaction in the property share index of nearly 18 per cent from its 1978 high of 255.29 to 210.03 in less than three months. Share prices subsequently staged a partial recovery and the sector index now stands at around the mid-point of its 1978 range. The volume of stock traded has been light and share prices have not really been tested. Investment interest has tended to move away from the leaders to secondary issues motivated by bid speculation and recovery considerations.

Risen

The recent preliminary statement from Land Securities confirms that property investment yields have risen slightly in recent months. A professional revaluation of a representative 25 per cent sample of its completed investment portfolio as at end March 1978 produced an uplift of 21 per cent in value when related to the corresponding 1977 values. However, the group notes that subsequent to the valuation date yields have eased and it seems likely that the value gain has been cut back to around 15-15½ per cent. Applying this adjusted uplift across the group's entire investment portfolio indicates a fully diluted net asset value of about 275p, so that at 205p the shares stand at a reasonable 25 per cent discount to net worth.

In many respects Land Securities typifies the recovery that many property companies have achieved over the past three to four years. Borrowings have been substantially reduced as a result of a major property sales programme and exposure to variable rate debt is minimal. The development programme has been cut to manageable proportions and financing requirements are comfortably within the group's capability. Further, as with Hammerson, the group is moving into a period of enhanced rental growth due to impending rent reviews and reversions. Accordingly, the outlook for profits growth is good and should compare favourably with the performance of industrial profits. Also the quality of earnings has improved materially over the past two years assisted by debt reductions, lower interest rates and lower levels of development expenditure.

On balance it seems reasonable to conclude that while the favourable factors that laid the foundation for a strong bull market in 1977 have now lost most of their potency the medium term outlook for the property market is by no means discouraging. It would be prudent to expect a period of consolidation in share prices following the events of last year and the sector is unlikely to perform significantly differently from the equity market during the second half of 1978. The sector looks fairly valued at the present time but its investment rating could well improve in 1979 as the benefits of reversionary lead profits growth emerge. The balance sheets of the leaders show renewed financial strength that has been notably absent for many years and while property shares may not be the best news for investors they should prove to be a worthwhile ingredient of their staple diet in the years ahead.

Over the past six years the property market has swung wildly between the extremes of unbridled euphoria and unremitting gloom. Investors have had to grapple with rapidly changing fundamentals and at times the pace of events has been bewildering. But the property market has slowly but surely puts its house in order though the cost of earlier mistakes borne out of excessive optimism has been considerable and investment confidence has been badly bruised. However, the lessons concerning the substantial risks of over-expansion and excessive gearing appear to have been unravelled and acted upon. The major property companies are now better placed to withstand a deterioration in the economy and although most pundits take a relatively pessimistic medium term view of the prospects for interest rates and the gilt-edged market, economic trends should not prove a major threat to the property market. Share prices will remain sensitive to interest rates and to the pace of inflation and improved buying opportunities are likely to occur as the year progresses.

Colin Munday
Hoare, Govett Ltd.

Potential

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perties. Thus yields rose sharply in 1974 when both the proportion and absolute amount of institutional cash flow going into property reached a then record level.

Moreover, yields were falling during 1975 when purchases of property fell and returns changed little on average in 1976 when investment rose sharply. The comparisons will have been affected by the time lags between agreeing a deal—at a certain yield level and the purchase money being paid over. But even after adjusting for this, the relationship between either the total "weight of money" available or that committed to property, and investment yields is uneven.

There is a better co-relation between changes in property investment yields and gilt-edged returns. The yields on both rose during 1973-74 and then declined during 1975 and 1977.

This does not mean that there is a fixed relationship between the two but rather than there are broadly parallel changes in direction as investors require a higher return on property to match the higher gilt-edged yield. There is less correlation with short-term interest rates, such as Minimum Lending Rate, though sharp rises or falls in MLR are normally reflected in smaller movements in property yields.

Apart from these short-term considerations the level of property yields is also affected by changes in expectations about the rate of growth of rents. For example, the gap between yields on long-dated gilt-edged stocks and on property investments widened as purchasers became more bullish about the prospective growth in rents on top-quality properties, as is fully discussed in an accompanying article.

But even though it is not possible to establish any exact co-operation between property values and the total weight of money available, it is likely that a growth in institutional cash flow will at least sustain, if not necessarily boost, property values.

Prospects

All the surveys done on the prospects for institutional cash flow point to a steady rise from now onwards. The most bullish analysis, from brokers Wood Mackenzie, suggested that the amount available for investment would double by 1982 to £13bn and rise to £20bn by 1985. This is based on a several highly tentative assumptions — for example, that nominal Gross Domestic Product and earnings will rise at 13 per cent. a year with 10 per cent price inflation and that most contributions will rise in line with investment income being rather more buoyant. This projection is in practice open to a wide margin of error, but if the estimate is only half-way correct then the implication is that financial surplus of the personal sector as a whole will rise sharply by roughly the same amounts.

The question then is what will happen in the other sectors of the economy. Even the most optimistic commentators do not believe that the overseas sector will have a deficit of more than a few billion pounds in the next few years; a deficit in the overseas sector corresponds to a surplus on the current account of the balance of payment in view of the direction of financial claims.

It is, of course, possible that the public sector deficit will rise to match the personal sector surplus, as it did in the early to mid 1970s. But the current adherence to strict monetary targets and to restraint on the growth of public spending seems likely to limit the potential rise in the public sector deficit. Another possibility is that there will be a larger company sector deficit if more investment is financed externally.

The overall picture, as summarised by Wood Mackenzie, is that a substantial amount of the personal sector surplus should be available to finance investment in industry, the public sector deficit as well as the property sector and investment overseas. But this begs the question of which sector will provide the most attractive returns.

This remains a relative matter as, for example, earlier this year when the virtual completion of the sales programmes of the hard-pressed companies produced a shortage of suitable fully-let investments. This reduced prime investment yields down to near 1973 levels which produced concern among many funds who were reluctant to pay peak prices or to lower their standards by buying more peripheral properties. In these circumstances there is no reason why institutions have to buy and they can always leave their money on short-term deposit or look at longer-term development projects. But this abstinence has seldom proved to be long-lasting, at least as far as the best properties are concerned.

Peter Riddell

Arguments for relocation

THERE IS an aweful lot of talk and precious little action when it comes to office and factory relocation. Corporate inertia dressed up as prudent conservatism keeps a disturbingly large section of British industry in factory and warehouse slums, and countless thousands of office workers in conditions that they would not tolerate for a moment in their own homes.

The classic argument for not moving is that it is impossible to justify the expense, or the potential business dislocation. The classic counter-argument also centres on cost. And far too often a firm faces the decision of whether to move or not only when it has to negotiate a rent review bringing an *historically* low-cost lease up to current market rates. By that time it is generally too late to organise a move without severe business dislocation, and so the inertia advocates carry the day, and the firm pays a modern rent for inefficient accommodation.

It is a salutory thought for any management that has not recently considered its building leases that there are more rent reviews due in the next five years than at any time in the history of the property industry in Britain.

In the period to and just beyond the turn of the decade rent reviews on leases drawn in the 1960's—with the then fashionable 21-year review patterns—in the late 1960s—on 14-year reviews—and in the early 1970's on 7, and more recently 5-year reviews, are all bunched togethher in a mass of reversions that bring tears of joy to the eyes of property negotiators, property lawyers, and their accountants.

By 1985 it is estimated that over 80 per cent of the country's leasehold commercial property *will be rented on 5-yearly* reviews. And any firm now sitting back comfortably on a rent struck when property developers accepted a few shillings a square foot for schemes should start taking a close look at current market rents, and it may be in for an unpleasant surprise.

A leaseholder facing a dramatic rise in rent costs may, if he gives himself time to think, consider relocation. But one alternative and currently popular way of overcoming this problem is to simply buy out the freehold.

There are tremendously powerful arguments for industrial or office property users to buy their own buildings. At a time of relatively high corporate profits and, because of the uncertain commercial climate, a low level of investment incentive, what better way of utilising cash resources than to buy out a freehold? The board of directors can then bury its head in the sand, ignore the market forces that drive leasehold neighbours to make serious cost analyses of their properties, and politely but firmly turn away any rash soul who suggests that a change of scenery might do the firm some good.

Image

Five years ago the image of the villainous asset stripper could be conjured up to shake these sleepy boards back to reality. Now, many industrial companies put cash needed for capital expenditure in the business into properties that their landlords are only to willing to sell, and which steadily lose their value as security for future borrowings as they age.

Throughout the country there are *examples of normally* rational and apparently successful businessmen who have succumbed to the appeal of commercial property ownership. In many cases the engineer may well prove to be a competent property man, in most cases he will not. And in all cases this channelling of resources into real estate cuts resources available for the mainstream business, *and increases corporate mobility.*

There are exceptions. The bigger store groups maintain as efficient property teams as any property company or financial institution as good locations are as critical to their businesses as good stock buyers. Some of the garage groups make more money trading in filling station sites than they do selling petrol. And the building societies and banks have got to do something with their money beyond filling the TV screens with horses and smiles. But the average businessman wouldn't go to a tailor to have his shoes mended, and equally shouldn't assume that occupying a building is the same as knowing how to efficiently manage or move from it.

That said, a critical look at any business location will often result in a decision to stay put. Once the unthinking inertia has been overcome there are genuinely sound reasons for erring on the side of caution when considering a move. Rising costs of staying still need to be set against the often equally substantial costs of finding new premises, negotiating and possibly paying for staff moves, reorganising communications, and making allowance for an inevitable element of lost client goodwill.

In drawing up a balance sheet of the pros and cons of a move most managements suffer from the problem that, as few firms move more than once during the careers of their staff, there will be no one with in-house knowledge of the problems of co-ordinating a commercial move. Fortunately, every business in Britain now has the opportunity to call upon the free advice of the Location of Offices Bureau and upon the paid advice of surveying firms expert in handling such moves.

Both the LoB and the major national surveying firms have a wealth of experience in organising moves. In its 15-year life the LoB has assisted firms to move 150,000 staff from the capital, and, since the expansion of its brief last year, the Bureau is charged to provide help to office users moving both in and out of London and the major cities as it serves both the development areas programme and the Government's new inner city renewal programme. The Department of Industry provides free advice to industrialists moving to Development Areas, and the New Town Corporations and most local authorities have staff trained—to a greater or lesser extent—to help corporate movers. The major surveying firms claim to be able to move anyone anywhere, and in the competitive agency market the *firms that survive tend to be* the ones that fulfil such claims.

At the initial stage most of this external professional advice boils down to a check list of options and questions that should filter the stayers from the movers.

It is fairly easy to make up a composite check list of this sort to see whether relocation is really worth considering.

Taking the possible reasons for a move first:—

● Is there a substantial rent review on the horizon?
● Does the property tie up capital that could be better employed elsewhere?
● Is the business in an unnecessarily expensive area, looking at both rent and rates?
● Is it scattered in several properties, and would it operate more efficiently in a centralised unit?
● Are the buildings really suitable for business today, or has the business merely grown used to fitting into existing space?
● Are the space needs of the company contracting or expanding, and if so, is there too much, or too little space on hand?
● Are there any financial advantages in owning or renting a building beyond the existing arrangements?
● Are working conditions in the existing building satisfactory?
● Do staff have transport problems?
● Can you afford, or get the right staff in the present location?

In the phraseology of the women's magazines, if your score is high, it's time to think about divorcing your building. To find the ideal property partner, and to see whether you can afford a divorce, you have to try out the other check lists to see if a move would help.

In analysing possible solutions to existing property location problems the key variants boil down to these:

● *How much time is there for a decision?* If the rent negotiators are already haggling, forget it.
● How much floor space would be needed in an ideal building, and what form would it take? This allows boardroom doodlers plenty of scope to play out their Frank Lloyd Wright fantasies.
● Where can the firm move without severing too many existing business links, bearing in mind modern communication facilities, and viewing locations in terms of business needs (not distance from the firm's existing buildings) and in terms of travelling time, rather than physical miles?
● How critical is it to keep the existing staff, in both management and union eyes, and would a new location attract or repel key workers?
● Would capital released by a move be absorbed by that move, and what can the firm realistically afford to pay for accommodation?

Even if the balance sheet weighs in favour of staying put, the relocation exercise can be a fresh and valuable look at a firm's property expenditure.

Casting

The costing exercise can be carried out roughly by a comparison of national rent and rate charges set against known current accommodation costs, and the charts of industrial and office costs shown here give a rule of thumb guide.

Actual moving costs obviously vary depending upon the complexity of the move. And there are imponderables that could deter the most ardent relocation advocate.

Every manager has come across the stories of firms moving and then bleeding to death from a steady drift of key staff back from the new beautifully landscaped country location to the lousy working conditions and wider career opportunities of the old urban environment. Equally, initial enthusiasm to move often cools after the 30th abortive search for a suitable building or site.

On the other side of the equation, relocation advisers can provide case studies of countless moves that have resolved high staff turnover problems, released underutilised capital, permitted impressive expansions of previously moribund businesses, and given finance directors a reason to praise rather than curse the corporate taxation system which provides substantial incentives for moves to designated areas of expansion.

John Brennan

Developers size up the options

WITH THE recent improvement in the property market developers have been sizing up the possibilities of carrying out fresh development but most have found that although funds are available and there is increasing demand at the end of the day the rents likely to be obtained will not justify the construction costs. There is one exception; most have found it possible to build speculative factories and warehouses in desired locations in the Greater London area.

At the height of the boom in speculative development during 1972-73 everything appeared to favour the developer; money was readily available at comparatively cheap rates, there was strong demand, fixed price building contracts were negotiable and rents were soaring. It was just the sort of business climate which could be expected eventually to result in a dramatic over-supply of properties.

At that time punitive taxation had not hit the property industry; the Community Land Act and its associated Development Land Tax were still unthought of. Nor had the concept of refurbishing old buildings dawned on many developers; land, even inner city land, was still cheap enough to buy in order to provide new buildings.

Conditions were such that it left alone supply and demand would have had their effect. But being human and fallible the developers built too many buildings which in the event led to over-supply, a levelling off of rents and a cut back in development until demand caught up again. However, before his over-supply hit the market the Government had interfered in the shape of the counter-inflation control on rents.

Governments seems to have a basic failing in not understanding the role of property as one of the main credit bases of the country. Even since the lesson of 1974, when some of the largest institutions were tottering on the brink of disaster, politicians do not appear to have grasped the important role of the property market in the economy generally.

In a recent talk at the annual Jones Lang Wootton property conference Stock Exchange chairman Nicholas Goodison said: "So much depends on Government attitudes and Government actions. Thus if there is no relaxation of controls, if Development Land Tax is not reduced or abolished, if the Community Land Act remains in force and if interest rates remain high, there will be practically no development.

Values

"Values will rise artificially, as they have before, and the financial sector will be blamed for causing in some mysterious way a secular boom in a sluggish economy. If there is no relaxation of controls and interest rates fall, we could get some development but the same problem would remain. If we get some relaxations there will be a chance of achieving a reasonable equilibrium as the market performs its function."

But where planning permission already exists, thus bringing the scheme outside the provisions of the Community Land Act, and where developers can arrange pre-lettings at rents which fully reflect current building costs and where the development company has sufficient financial strength to obtain finance, development is once again possible.

MEPC, the second largest UK property group, has just completed funding for two major developments totalling £50m with term loans from banks. The projects are a £25m shopping and offices development at Guildford and a scheme of shops and offices in London's Oxford Street. In both cases around half of the development cost will be provided by banks on seven and eight-year term loans.

In his annual statement chairman Sir Gerald (Joe) Thorley said: "During the past few years MEPC has retained a number of major sites, in excellent positions, which could not be developed because of the lack of two vital ingredients—a demand for the finished space at rentals which can support building costs and a willingness by institutional sources to fund development schemes."

These requirements have now both been met and MEPC has been able to obtain finance on terms which will allow it to retain full ownership of the project on completion. The Guildford project has been funded by a London merchant bank and a U.S. bank, around £15m is being advanced for seven years secured on the development. In the case of the Oxford Street development the group has done even better with a loan of eight year from a London clearing bank. The deal was approved just ahead of the credit restrictions imposed by the Government on June 8.

MEPC has not given details of the interest being charged on these term loans but the fact that the group pulled out of a virtually side-by-side funding arrangement with a State industry pension fund in order to retain full equity in the project suggests that the terms are favourable.

It is by no means clear if the MEPC form of funding will be followed by others; the strength of the company following the sale of its Canadian assets for around £28m allowed it to put up around half the development finance from its own resources. At the time of the sale of its Canadian subsidiary the stated policy was to reinvest the proceeds in such a manner as to bring greater rewards than were forthcoming *from the properties in Canada.*

Another company which is in a very strong cash position is Capital and Counties Property Company; at March 28 last, it had cash and short-tem deposits of £14.6m. In his annual statement chairman Keith Wallis said: "With a sluggish UK economy and a dearth of attractive alternative opportunities for institutional funds, the property market is currently a very competitive place; good property investments, developments and refurbishment projects are hard to come by on acceptable terms. Nevertheless, we are continuing to look for and are finding new business which will yield a worthwhile return."

The MEPC funding deals are of such significance that some property experts are suggesting that pension funds will have to watch the situation very carefully because it could mean that they will soon find partnership schemes with developers very hard to arrange.

Faced with a shrinking supply of prime investment properties in which to invest, the pension funds have been forced to take part in direct partnerships with property companies and local authorities in order to place cash in the property sector. In many cases these partnership schemes have been very rewarding; the cash hungry property companies have given away large chunks of equity in the developments in order to get the cash with which to begin a scheme.

If developers find that they can once again fund schemes *on term loans they will become* reluctant to give away large chunks of equity to pension funds and the funds' second line of defence of taking equity participation will have been smashed.

The new criteria for developments are the pre-letting of schemes or at least a substantial part of them. In the case of MEPC's Guildford project the two major stores have been pre-let and the principal "magnet" traders have leased space with these to ensure the success of the shopping centre. The group will now wait before letting further shops.

In addition to pre-lettings, any development if it is to be viable must be located in an area where strong demand has led to escalating rents. This is certainly true of Guildford, and in Oxford Street shop rents have been rising spectacularly.

Inflation

Strong upward movement in rents is essential to counter the effects of escalating building costs. Inflation is now running at about 9 per cent. This is good news compared with the annual rate of 26 per cent in the middle of 1975, but it still means that building costs are rising dramatically.

The phoney period of 1976-77, when builders were prepared to undertake jobs at a loss in order to keep their skilled workforce intact, is over. Contractors are now looking for a proper level of profit and there is never any question of a fixed priced contract being placed.

This need for protection against escalating construction costs means that few schemes are viable, and even fewer speculative projects can be justified. The one exception over the past twelve months has been industrial property, where demand, particularly for warehouses in West London, has brought about a number of speculative schemes. But not all of these are letting as quickly as the developers had hoped and some property experts are predicting a lot of burnt fingers as a result of these incautious projects.

Part of the philosophy behind these speculative industrial schemes was that because of the weight of institutional cash seeking property, quick sales would follow the letting of the projects. But while the apparently insatiable demand of the institutions is still with us tenants are in rather short supply.

Speculative development *is* generally out of the question and unless the vital ingredients of high rents, pre-lettings and adequate finance at reasonable rates of interest are there no development can be viable.

Roy Ferguson

Big institutional presence

THE MANAGING director of one of Britain's largest property companies recently put the question as to how many groups such as his own were still in the development business—or how many were likely to be over the next few years.

The answer, unfortunately, is not many. In fact, there is only a handful of major public property companies still in the real development game. Many are still reeling under the blows of the 1974 collapse and the poor economic conditions of the past few years.

But this year has seen the turn-around in the fortunes of property companies. Lower interest rates, an improving economy and the end of vast sales programmes have all combined to paint a prettier picture. Even so there has been a noticeable reticence among developers and their financiers to undertake the all too common large schemes of the early 1970s.

Hammerson Property and Investment Trust's Mr. Sydney Mason went on record a few weeks ago as saying that he and his group were not even contemplating any UK development at all for the foreseeable future. To be fair, he did add that Hammerson might consider one or two modest shops and offices schemes — but nothing of Brent Cross proportions.

Even the much slimmed down Capital and Counties group is now beginning to test the temperature of the water but it is highly unlikely Mr. Dennis Marler is keen to get his knees wet.

What has become evident over the past six months in the property market is the tremendous weight of institutional money, especially from the funds of nationalised industries like the Post Office and Coal Board. These, along with private pension funds, insurance companies and property unit trusts, have done more to change the shape of the game in recent times than all the entrepreneurs in the first few year of this decade.

In the past, fund managers and their trustees were content to sit on the sidelines and watch developers take the risks in putting up a commercial or industrial block, wait for it to be fully let, then buy either the whole of the completed scheme or a share of it.

The next move was to become actually involved in financing the development, either in the form of a straight funding situation or a slice of the equity. More recently, funds have been prepared to take increased risks for larger shares of the equity until they have virtually become developers in their own rights.

Perhaps one of the best examples of this is the electricity supply industry's pension fund ESN, which increasingly has taken on the developer's role until one almost thinks of the fund as a developer rather than a financier.

The fund was instrumental in developing the massive 175,000 sq. ft. Angel Court next door to the Stock Exchange. Critics might argue, however, that the risk element involved was almost negligible considering the location of the block. But then isn't that what property development is all about?

Arguably more risky is ESN's scheme to smarten up Piccadilly Circus around the area bounded by Coventry Street and Shaftesbury Avenue. A small section of the scheme has already been completed and let under the guise of a showbiz extravaganza, the London Experience.

Experience

But even ESN's development experience pales into insignificance compared with that of Norwich Union. This insurance company has been involved in active development since the war; and Mr. John Darby, who heads NU's property division, could be called Britain's biggest developer.

What is interesting about NU's attitude towards property development is that it says there is no reason why any reasonably sized institution should not build up its own development department.

Why not indeed? It would certainly put in their place those entrepreneurs of the late sixties and early seventies who reckoned a developer had to have a certain flair to put schemes together. Other institutions have slowly woken up to NU's philosophy, albeit in a more cautious way.

The last nine months have seen a general hotting up of the catch-as-catch-can attitude towards prime investments. Following the collapse of the property market it was relatively easy for an institution to acquire prime properties from failed development companies such as AIP, but in those days fund managers were more cautious in their attitude towards property investment.

Funds like the ICI Pension Fund took a very hard line on property after the collapse and were at great pains to ensure the fund had few doubtful investments in its portfolio. Since then it has been making efforts to get back into the property investment market with purchases along the lines of its acquisition of a substantial stake in Capital and Counties Victoria Centre shopping scheme in Nottingham.

But today there is a noticeable shortage of those prime investments so attractive to the funds. Investment jargon such as "less than prime" has been creeping into market reports over the past few months, indicating institutional involvement in secondary property. There were growing fears that the second property boom was on its way.

The institutions were quick to dispel any rumours that they were the cause of any mass incursion into the secondary property market. But despite such assurances yields continued to drop as the ever-dwindling stock was being chased by more and more money.

Some funds felt forced to come out with statements to the effect that they were no longer buying property at yields below 5 per cent. However, at a recent auction of provincial shop investments a noted firm of estate agents said the institutions were back at public auctions prepared to accept yields of around 1 per cent.

If by the sheer weight of their cash flow—the Post Office Pension Fund is reckoned to have a daily cash flow of £1m—the funds are being forced into the property market then there has to be an outlet.

As the market itself steadies and rental growth forecasts continue to be optimistic, more and more of the bigger funds are finding themselves faced with the prospect of having to go in for direct development. The returns are higher but so are the risks. Following their usual cautious line, fund managers are in most cases going in for pre-let development situation.

Risk is eliminated as far as possible so that there are no nasty shocks when the scheme is completed. But funds cannot always be cushioned against every risk and it is believed that there are a large number of shopping schemes around the country which are costing institutions dear.

The search is on among funds to find viable schemes which they can finance or develop themselves. One of the most notable speculative developments which has recently been given the go ahead is the Standard Life/Greycoat Estates 790,000 sq ft office block in Cutler Street.

But possibly one of the cleverest schemes for minimising risk is to be seen in Fleming Property Unit Trust's 161,000 sq ft industrial development at Thornton Road, Croydon. It is actually being developed by Godfrey Bradman's London Mercantile, which is guaranteeing a rental income of £324,000 pa gross. Once the scheme is fully let and income producing Fleming takes over the estate, which is then retained in the portfolio as a profitable long-term investment.

There is no doubt funds are prepared—in some cases over-eager—to provide development finance but for many property companies the price is too high. Besides losing overall control of the development, property companies find they are losing substantial stakes in the equity.

For some companies the stake is too high and they are not prepared to take a management seat in the development. MEPC's recent funding of its schemes at Guildford and in Oxford Street is a prime example of a developer resisting the overtures from the institutions and acquiring finance elsewhere.

If this is a sign of greater confidence in the development market then it is clear funds and institutions are going to have to compete with traditional property companies to find sites and put together profitable long-term investment situations. But this can only be done if the institutions themselves are prepared to take greater risks in future developments.

Baron Phillips
Estates Times

Local authority conflicts

LOCAL AUTHORITIES have long been the butt of the property world. Developers, builders and architects complain of delays in the processing of planning applications, of excessive interest in matters of relatively minor detail, and of fussy attempts to impose subjective aesthetic standards of design.

It is all very well, they say, for Ministers and local councils to say that overall the figures show that the majority of applications are handled with reasonable despatch. Statistics are distorted by the great mass of minor schemes. It is the big developments that suffer the longer delays. Too many planners, it is said, do not recognise that time costs money and that the pursuit of the best is the enemy of the good.

Another and increasingly common cause for complaint is the local authorities' contribution to the shortage of land suitable for development which is now widely feared. Their's may not be the sole responsibility. The biggest villain is the Development Land Tax. The Government may have put off for another year the imposition of the full 80 per cent but the present 66 2/3 per cent charge is a sufficient deterrent to land sales or even to the grant of options to purchase subject to planning permission.

But even without such a tax land could be hard to obtain in sufficient quantities, the critics say, because of the way the planning system is operating and—above all—because of the community land scheme. Too many major projects are rejected, it is said, on the grounds that they are premature because the structure plan or the local plan (or more probably both) have not been completed and to grant planning permission might be prejudicial.

As for the community land scheme, it is claimed that most local councils have neither the financial resource, the administrative capability nor the entrepreneurial skill to make it work. The Government may have allocated an extra £100m for land acquisition over the next two years, two to three times as much as was available during the first two years of the scheme. It may have relieved local councils of the need to secure Whitehall approval for each deal. It may have decided to let them keep a bigger share of their land-dealing profits. But these changes will not unlock the administrative log-jam or inject the desired commercial nous.

The land tax and the community land scheme are of course recent and still highely politically contentious innovations which could well disappear after the election if the Conservatives were to win. The planning system is another matter altogether. It has been with us in more or less its present form for just over thirty years and the principles upon which it is based are not in political dispute.

The system has been modified and adapted in response to criticism and changing circumstances since 1947. Other changes have been made or promised in response to the criticisms contained in the Dobry report in 1975 and the report last year from the House of Commons Expenditure Committee. Perhaps the most im portant in the long run is the idea, which the Government has been actively discussing with the local authority associations, of establishing some kind of forum in which the operation and effectiveness of the system can be kept under permanent review and proposals for change be considered.

It is important because the burden of both the Dobry report (only some of whose recommendations were accepted) and the Estimates Committee's findings was that deficiencies of the planning system lie not only in whichever way it is operated but are also inherent in the system itself.

Development control, to work properly, has to be soundly based upon an up-to-date and cohesive hierarchy of regional structure and local plans. But ten years after the Town and Country Planning Act of 1968 structure plans had been approved or submitted to the Government for areas containing only about half the population of England and Wales, and work had started on only about 40 per cent of local plans.

Teething problems were perhaps to be expected but will the rhythm be any better when it somes to keeping these plans up to date? Moreover, the interface between different disciplines is becoming more and more complex as planners seek a closer integration of social, economic, environmental and resource planning. At the same time planners are expected to reconcile this more and more multi-disciplinary approach with the trend towards greater public participation in decision making.

It is hard enough now trying to satisfy rival interests. Developers say the process takes too long; amenity societies and residents' organisations say the opportunities for consultation are too short. People used to be in favour of growth provided it took place away from their own door-step; a growing minority now seem to be against any growth at all.

Planning is meant to be a local matter, at least according to the rules laid down by Parliament. Yet the trend towards a multi-disciplinary approach is leading increasingly and inexorably to greater central or regional involvement. Local planning authorities differ very widely indeed in their approach, their methods, and above all perhaps in their efficiency. Yet successive governments have insisted on keeping back from interfering in the way in which the planning process is operated at local level, confining themselves simply to churning out advice which local planning departments are free to accept or ignore.

The reorganisation of local government in 1974 did not help, to say the least. At a stroke the number of planning authorities in England and Wales (and outside Greater London) was increased from 141 to no fewer than 421, and the shared responsibilities for development control of county and district council in the new two-tier structure were left so blurred that there are hardly two counties that have adopted a similar approach.

Changes may be on their way. Mr. Shore, the Environment Secretary, has committed himself to reducing county council functions in the area of development control. Statutory referral of planning applications to county level would be limited to those relating to mineral workings and those that straddle the boundaries of national parks, leaving the question of referring others—including those that may affect county structure plans—to the district's discretion.

Charges

Changes have been proposed to the general development order so as to remove many minor schemes from the scope of development control and reduce the annual flow of planning applications by between, it has been hoped, a tenth and a fifth. The Government has asked for priority to be given to industrial development schemes (thereby implicitly recognising that there is a problem of delay). Measures have been taken to try and speed up the operation of the appeals system. A promise has been made to introduce, as soon as economic circumstances allow, an improved quarterly census of planning applications and decisions.

All this may seem like tinkering but tinkering is the most that we can probably expect, so long as the operation of the planning system is regarded as essentially a matter for local decision, so long as radical change is precluded by the desire to achieve consent, and above all so long as planning remains—as it assuredly will—essentially a matter of trying to reconcile commercial and non-commercial considerations. The operation of the system can obviously be improved, but it would be an illusion to expect the difficulties inherent in the system itself ever to disappear.

Colin Jones

PSA comes under fire

BRITAIN'S BIGGEST landlord and tenant are vested in one vast organisation—the Property Services Agency. An integral part of the Department of the Environment and successor to the old Ministry of Public Works, the PSA provides 10m square feet of Government office accommodation in the UK, spent £94m on rent last year and employs a total of almost 50,000 staff. In 1976-77 in spent more than £300m on supplies and transport while overall its spending easily exceeds £1bn a year. Its task is enormous, encompassing services both at home and abroad. Its clients are numerous, including all Government departments and the Post Office. And its structure which at best is highly complex is at worst, as some of its critics have not been slow to point out, positively labyrinthine.

The PSA will always "enjoy" an invidious role with the Government—its many headed tenant on the one hand and its all too unpredictable boss on the other. This anomalous position has not helped it ward off attacks on alleged waste, overmanning and inefficiency. Indeed, one of the most damning criticisms of the Agency has received wide publicity only recently. It is ironic and perhaps unfortunate that the efforts to control spending described in the book *Your Disobedient Servant* by former PSA South of England Regional Director Mr. Leslie Chapman did not receive more attention earlier.

The Property Services Agency of today traces its roots to the reign of Richard II when responsibility for Royal building was brought under central control for the first time. By the beginning of the 17th century this administration had become known as the Office of Works, a name which survived until the Second World War. Between the end of the 18th century and the middle of the last century, however, it passed out of the Royal Household and became a Government department — a period which saw the building of Somerset House and the Houses of Parliament. In 1940 the Office of Works became a Ministry and in 1962 it was renamed the Ministry of Public Buildings and Works, merging a year later with the previously independent works branches of the Armed Services. This amalgam was swallowed up by the DoE in 1970, and the Property Services Agency was born in 1972.

As specifically a property agency the PSA's job is to provide buildings and other installations for all Government departments, the armed services and various other public clients. Most important of these "other clients" is the Post Office whose entire individual estate comprises no less than 14,000 separate holdings. The PSA's tentacles also extend overseas, a special directorate being responsible for buying, building and maintaining all British embassies and other diplomatic and consular buildings.

Design

The Agency's services include much design, construction, adaptation and furnishing work, while it also has responsibility for providing a vast range of stores and ancillary equipment.

Unlike a public company or business, which should know its requirements at least with some degree of predictability, the PSA labours under the ever shifting sands of political uncertainty. Its Government master often needs new accommodation, perhaps hurriedly and with little regard for cost. On the other hand politicians, like the Civil and Public Accounts committee, are always liable to interfere with demands that a more disciplined market philosophy be applied.

The PSA tries hard to be business-like, but quite clearly it cannot always succeed. Take, for example, the Government's wealth tax proposals. Offices were located in several provincial towns ready to accommodate the civil servants appointed to administer the new tax. Due, however, to the political climate, the proposals were shelved and the PSA was left with a number of unfilled properties on its hands. One site is now a Crown building, another office was filled from another civil service department and only the offices earmarked for wealth tax administration in Stockton are still empty.

Altogether 1½ per cent of all office accommodation within the PSA's UK Civil Estate is vacant —not much as a fraction but a fair number of square metres given the 10.3m total. The figure does, however, include a number of small floors in otherwise fully occupied buildings.

About two-thirds of this office property is leasehold but officials maintain there is no preference for leasing. "Our policy is to maintain the freehold part of the estate and given the way rents are likely to go, even increase it. Such considerations will be judged by commercial factors," said a spokesman. PSA rents are never revealed, but the Agency denies paying "above the odds" and dismisses suggestions that in some private property circles it is considered "an easy touch." Properties are, in fact, said to have been acquired for less than "the market rate."

Mr. Kenneth Marks, Under Secretary of State for the Environment and the Agents' direct parliamentary master, revealed last December that the PSA pays on average just £3.15p a square foot for London offices (about 80 per cent of total accommodation costs) and only £1.50 a square foot in the provinces.

The Agency's professed policy of freehold acquisition and new building, however, is undoubtedly wise given the sort of rent increases likely in the next 10 years. Rents of £94m paid by the PSA in 1976-77 are expected to double by the end of the 1980s. During this time historically low cost buildings will come due for rent reviews, many of which had long review periods agreed in the early 1950s and 1960s.

Meanwhile the debate for more openness is not confined to outside commentators. Some people within the Agency do feel rent levels should be declared but the official and more strongly supported line is that private operators are trying to smoke out what could be considered commercially confidential information. Later this year the PSA is planning to publish its first ever annual report—there will not, however, be any individual rent disclosures.

As well as landlord and tenant, the PSA plays the not insignificant role of largest public sector builder in the UK. In this capacity it claims the heritage—arguably via somewhat doubtful genealogical channels—of such important English architects as Wren and Inigo Jones. In 1976/77 PSA expenditure on all new works totalled £417m and no less than 14,556 contracts were let to the value of £394.1m.

A major slice of business in this area comes from building involved in the huge civil service dispersal programme due to take place in the next few years. By the mid 1980s about 31,000 civil servants will be moved from London to provincial cities like Glasgow and Liverpool. Estimates of the total dispersal programme costs range from about £300m according to official statistics to over £1bn according to the civil service unions. But whoever is right, the process will certainly give a boost to building activities at the PSA, although public sector spending cuts will tend to restrict the budget. Design work for most construction is done "in house" but some 20-30 per cent is farmed out to outside consultants.

One consequence of this massive exodus will be the changes it causes on the London property market. As well as allowing a major rationalisation of the PSAs estate in the capital, officials calculate that between 3m and 4m sq ft of London office space is likely to fall vacant in the next ten years.

The PSA itself, incidentally, will feel the full blast of relocation—the Agency's headquarters and 3,000 staff posts are being transferred to Teesside, although civil servants are known to be opposed to the plan.

Search

Ironically, in view of its constant search for new offices and accommodation on behalf of its Government master, one of the PSA's biggest headaches is actually the disposal of property and land. The problem is most pressing in its UK Defence Estate, which comprised 283,900 hectares at the last count. The Ministry of Defence, in which all this estate's property is vested and where all decisions with regard to its use are made, is constantly trying to reduce holdings as opportunities arise. Last year, for instance, the MOD disposed of property worth £20m, though this is only a fraction of the total. Much of the Defence estate is let on a commercial basis for farming but much is nonetheless vacant, due in part to defence cuts and constantly changing defence requirements.

Finally, a word about Mr. Chapman, the maverick PSA Southern Region director whose previously mentioned book has certainly stirred up a hornets nest in the Civil Service, if not sent a shudder through the corridors of Whitehall. Briefly Mr. Chapman pruned the cost of running his region of the then Ministry of Public Works. He did it without impairing efficiency and without incurring the wrath of the unions. He was, however, according to his account, unable to persuade his senior colleagues to follow suit in other parts of the country.

Mr. Chapman's achievements are certainly not disputed by today's PSA bosses. But there the sympathy ends. Acknowledging that he did an excellent job in his own region, the Agency's officials point out that other parts of the organisation carried out their own cost cutting schemes. The PSA's direct labour force, for example, was cut by a third in under 10 years while maintenance savings on the defence estate amounted to 25 per cent of total spending in four other regions. There is understandable frustration in the PSA that attention has centred on events which, so the argument runs, have little bearing on the situation today. There is also considerable annoyance that the media has tended to emphasise the now well publicised blunder of PSA's chief executive Sir Robert Cox. Sir Robert told MPs of the Public Accounts Committee in 1975 (wrongly as it turned out) that the Southern Region has been able to make substantial savings because of a large redeployment of troops, especially from Aldershot, to the north.

Whatever you make of this row, it has at least highlighted the central dilemma of the Property Services Agency. A vast and because of its diversity a fascinating organisation, it will always be dogged by administrators on the one hand and efficiency-conscious politicians on the other. With more than £1bn of public money to dispose of each year, however, its watchdogs (both internal and external) should not be ashamed of their vigilance.

Tim Dickson

Scrutiny of new towns

BRITAIN'S new town development corporations have recently emerged from an uneasy period of uncertainty in which their future role came under long and searching Ministerial scrutiny. The Government's rethink on what constitutes the correct balance between the development of new towns and the revival of inner cities threw their programmes and aspirations back into the melting pot while the Government pondered over planning policy.

At the end of the day there was disappointment for some and relief for others, though new town development as an integral part of development strategy did not suffer the body blow which many people had been forecasting while the rethink was going on within the Department of the Environment.

By the middle of last year it was clear that the new town concept was not going to be sacrificed on the altar of the latest ideological idol — inner urban renewal. There had been fears that the recent awakening on the part of politicians of all shades that the decline in Britain's towns and cities should be halted and reversed would do away with many of the bodies established to spread the gospel of regional development.

High on the list of organisations which suddenly found itself facing both ways at once was the Location of Offices Bureau, originally given the task of encouraging businesses and people away from the South-East but then subsequently asked to help sing the praises of life, both social and economic, in and around London. The embarrassment to the LOB, eventually overcome with the provision of a wider remit to include the attraction of foreign companies to London and the regions, highlighted the fundamental policy changes taking place and underlined the potential problems facing development corporations around the country.

Future

In pursuing their considerations about the future for the new towns, Ministers took into account not only an economic situation which insisted on reductions in public expenditure but also substantial changes in projected population growth up to the end of this century. Both factors seemed to justify some reduction in the commitment to the new town philosophy, although they were overtaken by the Government's renewed enthusiasm for the revitalisation of inner city areas.

The examination of new town policy was the first major reappraisal to take place since the middle of the 1960s. When he announced his preliminary findings to the House of Commons last April Mr. Peter Shore, Secretary for the Environment, spelt out the factors which had confronted him and his advisers during the decision-making process.

"My reappraisal has taken particular account of the substantial changes in national and regional population trends, of changes in our economic and industrial position, of changed conditions in our major cities and of changed attitudes of the local authorities towards population movement and of the new balance that we are seeking to achieve between development within the cities and development outside."

Announced

The Minister foreshadowed the end of several of the earlier new towns, most of which have now largely and successfully fulfilled the purposes for which they were established. Although some of them such as Bracknell, Redditch and Stevenage had been potential candidates for further expansion, Mr. Shore said it had been decided that future growth of the first generation of new towns would be a matter for the local authorities concerned to deal with under other legislation.

The Minister announced that eight of the earliest new town corporations—Corby, Stevenage, Harlow, Runcorn, Bracknell, Redditch, Washington and Basildon—would therefore be wound up over a five-year period. The dates he set will be used only as targets for completion of the Corporation's business, however, and are not immutable if problems arise.

On the date in question the property of the respective corporations will vest in the Commission for New Towns and the corporations themselves will cease to act except for limited purposes provided under the New Towns Act 1965. The dissolution of the corporations will normally follow within three months of the target dates.

Following the transfer to local authorities of rented housing, the Commission will no longer have a housing role. It will, however, have a major part to play in securing the orderly winding-up of the development corporations and in the management of the substantial commercial and industrial assets which have been created in the new towns by Exchequer funding.

Ministers are well aware, however, that the natural aspirations of local authorities to own and manage public sector property provided under the New Towns Act in their areas must be taken into account. As a result the Government is to consider what community-related property, such as parkland and open spaces, can be transferred to the relevant local authorities.

The question of whether a local authority should eventually be able to acquire commercial and industrial property from the Commission is also under consideration. As Mr. Shore put it, the policy was to "strike a balance between the need to ensure that the major commercial and industrial assets are managed in the national interest and a recognition of the right of the local community to influence its own development."

Before pronouncing on the fate of the six third generation new towns launched in the middle of the 1960s Mr. Shore said he had not decided on the future of the three new towns in the North-East which had helped stimulate industrial growth in the region. His decision is still awaited.

Turning to the third generation of new towns the Minister said that while he did not wish to take any action which would reduce their ability to thrive, it was clear that there would have to be a substantial reduction in the target figures for their growth set ten years ago.

At the same time, he argued, the new towns would have to do more to help the inner areas by taking a higher proportion of disadvantaged people and by meeting the growing demand for owner occupation.

Projected

The trimming back in population growths affected all the new town areas and in total represented a reduction of some 380,000 in the programmes of the third generation of development. In Milton Keynes, for example, one of the best current examples of the new town concept, growth should be induced to an extent which provides a population of 150,000 by the mid-1980s, which with natural growth should rise to 180,000 by the late 1980s and to 200,000 at a later date. The original target was 250,000.

In Northampton the projected population total for 1990 has been reduced to about 180,000 against an original target of 230,000, while in Peterborough the population by the mid-1980s should be about 160,000 against an original projection of 180,000. Similar reductions have been implemented for towns like Telford, Warrington and Central Lancashire New Town.

Clearly aware that some of his decisions would cause considerable disappointment within many of the corporations, Mr. Shore said they had in the past proved themselves to be adaptable in responding to changing requirements and he felt they would "respond positively to the new situation."

But whichever way the Government's radical change of direction was presented, there has been no disguising the heartfelt disappointment felt in several new town "camps." For while most will be able to press ahead with plans already laid down, their wings have clearly been clipped and all their projections will need to be modified to take account of the new approach.

Attitude

The attitude among the new town corporations with a useful life ahead of them has, however, been a healthy one. Many have been encouraged by the positive response of industry, commerce and the retailing sector to their aggressive marketing approach, although it remains to be seen how they fare in the wake of the Government's renewed belief in the inner city concept.

Michael Cassell

Election run-up causes confusion

THE COMMERCIAL aspects of property—letting, dealing and investment—are all going through a period of relative stability at present. But the same cannot be said for the political arena.

With each of the parties showing definite signs of beginning the run-up to an election ancient hobby horses are being dusted down and pet programmes invested with new vigour. The net effect has been in the past few weeks to throw the property industry back into a state of considerable confusion.

The key element in all this is, of course, the Community Land Act which the Conservative Party is still pledged to repeal and to which the Labour Government has recently given fresh incentive.

A fortnight ago Mr. Reg Freeson, Minister for Housing and Construction, announced that the Government has allocated £100m to be used by local authorities for land acquisition over the next two years—between two and three times the resources available in the first two years.

Local authorities will also be able to spend more of their allocation without having to consult the Department and will, Mr. Freeson said in the House, keep a larger share of any surplus arising from land sales (at present the first 70 per cent is shared by the Exchequer and a common fund).

Earlier the rules under which the local authorities have been permitted to buy land were eased. Local authorities will now be able to borrow money to buy land where the "net annual cash flow line shows a positive figure within a reasonable period of time." Initially, there had been a limit of two to three years.

Profit

The Government has also told local authorities that it may look favourably on certain deals where break even may be long term or even unlikely so long as other purchases are showing a profit.

Coupled with the new £100m allocation and advice to local authorities (by way of a recent circular) on how to ensure an adequate supply of land through the system, this amounts to a major reinforcement of the Act.

The news was instantly met with strong opposition from the Royal Institution of Chartered Surveyors, which wants to see the Act repealed and replaced by extensions to current Compulsory Purchase Powers permitting local authorities to buy land for longer term needs.

Mr. Clifford Dann, chairman of the RICS's public affairs committee, said that Mr. Freeson was "putting his head in the sand" if he thought the Community Land Act was working efficiently.

He denied Mr. Freeson's claim that there was no "land famine" as a result of the Act. The evidence showed a strong imbalance between supply and demand in areas where there was demand. There was no point in aggregating total land supply throughout the country and claiming that it represented a surplus over demand if the main supply was in areas where people did not want to work or live.

He also claimed that not only were private landowners reluctant to sell their land under the Act—because of the penal rate of taxation on any gains—but that local authorities too, lacked incentive because 70 per cent of any potential surplus accrued not to them but to the Treasury and the common fund.

These were the reasons why the Community Land Act had been pitifully unsuccessful in its first two years of operation, not, as Mr. Freeson claimed, because of general economic problems or restrictions on public spending.

The RICS wants the Act repealed and a system of voluntary supply of land re-established. In the meantime it is also calling for a reduction in the rate of development land tax, a corollary of the Act, to be reduced to 60 per cent.

The past few weeks have also see nthe Tories makin ga determined attack on Development Land Tax, the rate for which was due to rise to 80 per cent next March.

Last week the Tories managed to peg the level at its current rate for a further year and it will not now rise from 66⅔ per cent until March 1980.

The Tories had been attempting to get a three-year stay in the rate rise through an amendment in the current Finance Bill, but in the event a compromise was reached whereby the Finance Bill this year will not include any change in the rate, which will now be deferred to next year's Bill.

The second major Government issue for the past year has been the plight of the decayed hearts of our old cities. A degree of support has already been provided for the rehabilitation of industry in these areas by the Government. But last week Sir Geoffrey Howe, the Shadow Chancellor, proposed much more extensive incentives.

Claiming that his ideas were entirely personal he proposed the establishment of special "enterprise zones" in which planning control would virtually vanish apart from minimum height, health and anti-pollution restrictions. Public authorities would be required to sell land in these areas to private enterprise. Landlords would be free of rent control and DLT. Tenants would be guaranteed consistency in tax laws affecting their investments though no special grants or subsidies would be payable to any enterprise within the areas. Price control would not apply.

Opinion

Sir Geoffrey envisages four such areas of free trade—in East London, Clydeside, Merseyside and the West Midlands.

The RICS has already expressed an opinion that the greatest benefit would accrue to these areas if an "Old Town" Corporation could be set up in each of them along the lines of the new town administration—with the same rights and incentives applying. Sir Geoffrey's proposals are still too recent to have been taken into account.

On other fronts recent Government activity has embraced such diverse matters as the role and status of estate agents, rent control and rates.

Most disappointing has been the refusal of the Government to change the basis of the next rates revaluation to incorporate recommendations from the Layfield Report. Layfield recommended that the basis of valuation for rates, particularly for domestic property, should be changed from a rental value to a capital value. Announcing the date of the next rating revaluation — April 1982 — the Government said that it had deferred plans to change the basis to capital value and did not give an indication as to when that basis might be introduced.

One other negative move by Government has, on the other hand, met with general approval. Mr. Peter Shore announced recently that Government has "no plans" to seek powers which would permit local authorities to act as estate agents. This statement seems to have sounded the death knell for the half-formed plans of Labour's Left to create a nationalised estate agency along the lines of the German system.

No action has yet been seen from Government over the Rent Acts but it is widely believed that Mr. Shore is under pressure from both the Left and the Right to undertake an early review of the regulations.

For the Conservatives, apart from the promise to repeal the CLA, the most recent proposals have involved a "think piece" on radical changes to planning methods. A review from the Conservative "Political Centre" proposes a three-point plan which will speed planning applications.

First there should be an end to ambiguous distinctions between the respective roles of the different tiers of local authorities. (In fact the Government also has made a move along these lines by recommending that district councils be given more power over certain major applications at the expense of the counties. The move is firmly supported by the British Property Federation).

Secondly, the Tories say, the number of official bodies with powers affecting planning should be reduced. And thirdly, local government should cooperate more closely with its officials in an attempt to avoid what the review calls "disordely public inquiries."

On the other side of the fence the RICS is embarked on two studies with political implications. By the end of the year it should have completed its study of the second year of operation of the Community Land Act; a follow up of the highly critical study of the first year which has formed the basis for the institution's opposition to the Act.

The institution is also undertaking an initial inquiry into the need for a new codification of the regulations regarding infrastructures in development. It is not yet clear whether the RICS will restrict itself to studying the need for clarification as to who should provide basic services strictly relating to site development or whether the study will extend to essential local services such as schools and roads.

Christine Moir

Government help for development

FOR THE amount of building work it undertakes, one could be forgiven for assuming that the country is in the middle of a building boom. Almost 3m sq ft either under construction or on the planning board is no small beer, even for the larger building companies.

In this case, the builder is the English Industrial Estates Corporation, developers, letting and managing agents for the Department of Industry's portfolio of estates in the English counties.

The EIEC, created in 1960 to continue the policy started in the 1930s of using government money to encourage industrial development, grew from a number of regional companies, including Team Valley Industrial Estates in Gateshead, the West Cumberland Development Company and North West Estates, based in Liverpool. Now, 42 years on, the EIEC is responsible for almost 34.5m sq ft of property. The Government has similar schemes elsewhere in the UK, administered through the Welsh and Scottish Development Agencies, but the EIEC remains the country's biggest industrial landlord.

Its brief has been to encourage industry to settle and expand in areas where new job opportunities are needed. To date, the EIEC's score is 530 companies employing around 114,000 people in parts of the country where unemployment is higher than the national average. For example, in the North East and Cumbria, one of the country's highest unemployment areas (currently the figure is running at around 8 per cent) the number of people employed on factories built by the EIEC number 88,000.

In essence, the Department of Industry, through its agencies, implements programmes of building advance factories to secure regional development objectives. Recently, however, building programmes have been brought forward because of the recession in the building industry. And in the last Budget, the Government brought in further measures to encourage industry to expand—arrangements have been made for industrial building allowances to be made available to more companies, particularly those moving into the Government's advance factories.

The allowances mean that the full capital cost of factories can be offset against corporation tax—40 per cent in the first year and four per cent a year over the next 15 years. However, the rules apply only to companies with a leasehold interest longer than 50 years.

Incentives

Nevertheless, these measures have been welcomed in some quarters as a long overdue fillip, albeit a small one, to the depressed industrial areas. These incentives, if they attract companies, will give some relief to chronic unemployment, it is argued. However, the reality might be less comforting. The Government's policy of offering advanced factories has already had the effect of cutting back on commercial competition in the development areas. These budget changes could add to this competitive edge.

But this argument is unlikely to detract such bodies as the EIEC. Its strategy is to build factories ahead of demand and, by doing so, possibly encourage demand that might not otherwise exist. The EIEC argues that factories should be immediately available to take advantage of any industrial expansion.

For most industrial processes, custom-made premises are unnecessary so long as the buildings are reasonably flexible in terms of design. Therefore, it is possible, within certain broad guidelines, to build factories without knowing what activity will subsequently be going on inside it.

Essentially, the basic principle has been to build modules on a steel frame to a unit construction. They are normally of one storey and can be easily extended to suit future requirements. At least four variations of advanced factories are available, with a typical unit having an area of around 15,000 sq. ft. In adition, the EIEC has built a number of nursery shells of between 2,500 and 5,000 sq. ft., designed especially for the small tenant — a concept which is becoming increasingly popular for the building programmes in inner cities.

As the buildings are constructed for factory use rather than, say, warehousing, the interior height is limited to about 16 feet. A typical unit would have office and toilet accomodation with power installed.

In all cases, a tenant merely has to arrange with the local electricity board to switch on the power before moving in the machinery. Factors such as passenger and freight transport, and road and rail links, are considered before construction is started.

The average rental for a typical unit is around £14,000 per year. Last year, the EIEC's rent roll was £3.97m. In total, the EIEC has built 170 estates and sites, occupying an area of 3,560 acres. The current building programme includes 90 factories or 180 lettable units on 1.3m sq ft, with another 200 factories in the planning stage amounting to a further 1.6m sq ft.

The EIEC's activities are mostly concentrated in North East and Cumbria, where more than 27m sq ft of factory space has been built. Of this 2.1m sq ft is ready for immediate occupation while another 1.6m sq ft is currently under construction or in the planning stage. More than 400 companies currently occupy EIEC factories in the area.

In the North West (Merseyside and Greater Manchester), where the EIEC has its second largest concentration of activity, 61 companies have been accommodated in Government factories and they employ 23,000 people. In total 5.4m sq ft of factory space has been erected of which 290,000 sq ft is ready for immediate occupation. An additional 720,000 sq ft is being made available, including 22 factories currently under construction and a further 40 in the planning stage.

Elsewhere in the country, the EIEC's activities are concentrated in Yorkshire and Humberside where 34 companies, employing 1,000 people, have been accommodated, while in the South West (Cornwall and the assisted areas of Devon), 28 companies give work to 3,000 people. The factory space built amounts to 900,000 sq ft in each region while the combined volume of current and future work totals another 500,000 sq ft.

Rents

Basically, rents for Government factories are set over a 24-year period, reviewable every five years, and based on a district valuation.

Government factories can also be bought on a 99-year lease, with ground rent again based on local valuation and subject to revision every 10 years.

The total cost can be amortised at current interest rates up to 15 years. However, because of the flexibility needed, most industrialists prefer to rent. Factories may be provided rent free for the first two years if the number of new jobs created justify it.

Arnold Kransdorff

Industrial market improves

THE INDUSTRIAL property market continues to improve with rents moving upwards and speculative building showing quite dramatic increases. However, without a significant upturn in the economy, and therefore demand, a question mark must hang over its future.

With a continuing shortage of land and rising construction costs the asking rents for choice industrial properties can be confidently expected to continue to rise but whether, in the absence of expanding production, the overall cost savings associated with modern industrial property will be a sufficient incentive to maintain demand remains to be seen.

King and Co., the leading industrial property agents, believes the rate of increase of rents may slow soon unless there is a significant pick-up in the economy and industrial confidence. However, Mr. James Morrell, director of the Henley Centre for forecasting, suggests that severe competition and the need to survive constitutes a major incentive for industrial building investment in coming years because "fairly predictable and substantial cost savings are attainable."

What are beyond doubt, are the hard facts of the market's performance during the past year. Faced with an acute shortage of land, site prices have soared. There has been a dramatic increase in rents and, in the last six months, a significant increase in speculative building. Site prices of over £200,000 an acre, rarely seen even during the boom of 1972, are now common for prime locations in the South East. The highest prices are being recorded for sites with quick access to the ends of the M1 and M3 in London and round the capital's airports where one year ago prices rarely touched £100,000 an acre.

Similarly in the Leeds and Sheffield area land prices are said to have doubled in the past year to a present average of about £60,000 an acre and in the East Midlands land prices in Leicester are now running at about £50,000 an acre. These prices reflect a continuing acute shortage of prime development space in a market swollen by property-hungry institutional investment fund managers.

Factory

The enthusiasm shown by the funds for factory and warehouse investments has shown no signs of easing. Recent surveys suggest that in 1978 pension funds alone could be spending up to £375m in the industrial property market.

While higher site prices must obviously increase the rents of new industrial properties, increasing rents are one of the reasons for the present fashion for industrial property investment. A number of recent rent surveys have demonstrated the pace and the consistency of industrial rent growth and read as sound economic sense to fund managers.

One survey compiled by stockbrokers Panmure Gordon suggests that in the 16 years between 1960 and 1976 industrial rents in the South East rose by 540 per cent, more than double the increase in shop rents and well in line with office rents.

Faced with these figures some of the traditional prejudices against industrial property have paled. Industrial rents have weathered the recession, and continued to rise more than shop or office rents because they represent a less significant part of total costs and are therefore more flexible.

This upward trend has accelerated during the past year with some of the latest surveys suggesting increases of up to 25 per cent in industrial rents in the South East and a countrywide average increase of 10 per cent between September last year and March 1978. The starting point for these dramatic increases appears to have been last summer when greater confidence in the pound manifested itself in greater demand.

Rentals of £1 a square foot coupled with a stepped increase towards the first review disappeared and rents in West and North London in particular showed a rapid recovery, especially for units over 30,000 square feet, as demand outstripped supply.

While the figure of £2 a square foot had remained as some form of psychological barrier this figure has now been breached and is widely acceptable, particularly around London's airports. Elsewhere in towns like Swindon, Bristol and Oxford rents are now reaching £1.50 a square foot. The increase in rents in the Manchester area has been slower due to an oversupply of medium sized units but now range from about £1.30 in the South of the City to £1.50 per square foot in the central area.

In Birmingham prime industrial space now attracts rents of £1.40 a square foot. The North East stands out as an area in which the market has been rather quiet with rents remaining relatively stable at £1.20 a square foot in Newcastle and £1.25 a square foot in Middlesborough.

Insofar as these higher rents do reflect growing demand rather than other factors the electronics, pharmaceutical, petrochemicals, plastics and printing industries appear to have been most active. In the warehouse market discount warehouses among consumer durables and engineering companies, particularly those associated with the motor industry, appear to have taken up some of the slack.

Another important factor beginning to show through in higher rents is construction cost. During the depths of the recession contractors squeezed profit margins to the limit in order to win contracts and keep their basic workforce together. This has now become less necessary.

Construction costs are said to have more than doubled during the last three years and much of this increased cost has been absorbed by the contractors and has not shown through to development costs and rentals. The building industry remains depressed and so these costs are unlikely to be fully passed on for the time being, but they do represent an ever growing upward pressure on rents.

The slight and patchy increase in demand within the market is reflected in the latest survey compiled by King and Co. This shows that from mid-December 1977 to mid-April 1978 the total amount of available industrial property for sale or let dropped by 6 per cent. This continued decrease followed an overall reduction of 11 per cent during 1977 reversing the trend in 1976 when there was an increase of 12.2 per cent and in 1975 when there was a massive 122 per cent increase.

The survey shows that in mid-April this year there was a total of 70.9m square feet of empty space in England and Wales consisting of 28.89m square feet of warehouses and 42.05m square feet of factories.

While these figures do not reflect the real shortage of modern industrial space, because much of the total can be considered inadequate or unsuitable for use, the breakdown of the reduction in available floor space does provide an important insight into the market.

The overall improvement in the four months to mid-April was entirely accounted for by the warehouse sector and was confined almost in total to the London and Home Counties where demand has run ahead of supply. Available space has fallen from about 16.7m square feet in mid-December to 12.4m square feet in mid-April. Elsewhere in the country, with the exception of the Avon and South West area, the amount of available warehouse space actually increased and overall the percentage of warehouses over 10 years old available for sale or let rose from 46 per cent in mid-December to 52 per cent in mid-April.

Reflected

The lack of real sustained increase in demand for factory space is also reflected in the breakdown of the factory figures which show that the only areas to experience a reduction in available space were London where the total fell from 10.8m square feet in mid-December to 9.3m in mid-April and in the East Midlands. Elsewhere in the country demand has been relatively static, with the actual total available factory space actually increasing by 2 per cent. The survey also records that the percentage of available factory space aged over 10 years has fallen from 80 per cent in mid-December to 74 per cent in mid-April.

The acute shortage of prime industrial space is best illustrated by remembering that it is calculated that in 1977 total factory space stood at 2.58bn square feet and warehouse space at 1.1bn square feet. Against these figures the total 70.9m square feet of industrial space available in mid-April represents only about 4 per cent.

King and Company says this shortage is particularly pronounced for warehouses of about 10,000 square feet and is worst around Heathrow. Nursery units and small factories of about 5,000 square feet are also in particular short supply, as they are whatever the economic climate. However, correlating survey statistics to changes in demand can be misleading. For example the slight increase in available space outside the London and Home Counties area does not necessarily reflect a drop in demand, and indeed it could reflect an increase coupled with a growth in building volume.

It is also true that the shortage of sites has encouraged the demolition and redevelopment of older factory complexes and while this might be expected to result in a decrease in manufacturing floor space, King and Company says it has been offset by the reintroduction to the market of a number of large factories once occupied by a single company but now divided and offered as single units for letting or sale. This is a trend which can be expected to continue.

New-found confidence in the market is in evidence in the dramatic increase in speculative building volume during the four months to mid-April. The King and Company survey suggests this increase is in the region of 42 per cent, or nearly 2.5m square feet of which some 88 per cent is principally due to speculative investment by the private sector rather than advance factories being built by the public authorities.

Public authority building has however not decreased, says King and Company, but simply remained relatively stable.

The total amount of industrial property under construction in mid-April for occupation within six months was 8.37m square feet, excluding extensions or premises companies were having built for their own occupation. This compares with a relatively static level of building averaging about 4.7m square feet for each four monthly survey between August 1975 and December 1977 when the actual total amount of space under construction had lifted slightly to about 5.9m square feet.

King and Company describes the mid-April 1978 figure as a "dramatic improvement" in the development climate following a year of only gradual increases with the national increase repeated in all the regions except Home Counties North, and East Anglia where there was a small drop.

Increases

Over the four months to mid-April the Home Counties South, West Midlands and North East regions all recorded increases of over half a million square feet. Warehouse developments claim the lion's share of this increase, as they have done for the ten years to 1977 when total warehouse space increased by 77 per cent compared to an increase of only 10 per cent in factory space.

This enthusiasm among developers for warehouses reflects the relative strength of demand from the distribution industry as it follows the national change in transport patterns towards motorway linked depots. Overall King and Company say the industrial property market is at present in equilibrium, as one would expect to find in an industry where construction periods are relatively short. The company rejects suggestions that the investment fashion for industrial property development has run ahead of industry's demand or ability to pay higher rents, although King and Company accept that the market is "marking time" and that rental increases could "slow up" in the near future.

It is still widely predicted that tenants will be paying rentals 20 per cent higher than those of January by the end of the year, but there may be a slight "hiccup" in the rate of increase later this year unless there are significant changes in the state of the economy.

Ultimately industry's ability to pay these higher rentals, and its need to expand into new and more expensive accommodation, must depend upon an upturn in the economy and specifically an increase in levels of production.

Paul Taylor

City supply and demand evenly balanced

ACCORDING TO the latest analyses of the property market in the City of London the key to the next three years is "balance." Each of the independent surveys of supply and rate of take-up is now pointing to a balance between supply and demand until 1981 with the exception of the specialist demand from users of 100,000 sq ft or more. They will certainly find a distinct lack of available space, but for the remainder of the market there will be an adequate flow of space until the new development programmes reach completion in 1981.

The view that supply and demand in the City is fairly evenly balanced is one which has been growing in popularity for some time but last month it received a virtual seal of approval when it formed the central pivot of Richard Ellis's latest review of the City market. Briefly, Richard Ellis points out that existing space available—around 2.6m sq ft in May—plus the small but steady flow of new developments coming on stream between now and 1981 (1m sq ft per year) will be adequate to meet what is emerging as a steady take-up rate of between 2¼m and 3m sq ft a year.

Vacating

In addition, each move by a substantial space user frees further space on to the market. For instance, by moving to Angel Court Morgan Guaranty will be vacating some 50,000 square feet of offices it presently occupies. NatWest Bank's eventual transfer to its tower will free as much as 100,000 square feet in buildings which it is currently renting. Those buildings, while not brand new prime stuff any more, are modern and adequate for most users' needs.

City space analysts have, it seems, at last wakened up to the existence of a significant element on the "supply" side of the equation which they have previously ignored. In the U.S. the space vacated as tenants shift around the cities is known as "carry over" space and it is recognised to go back into swelling supply.

It is true that this space is not usually classifiable as prime. It is usually not absolutely new and may be in need of fairly elaborate redecoration and fitting out. For that reason Richard Ellis does point out that there will be a shortage of prime new space over the next three years or so. The 1m square feet of new developments each year will only mop up around half the demand that exists for such space, based on the take-up rate for this type of property over the past four years. In fact a shortage of prime modern space in the banking and insurance villages in the City will occur by next year, as will a shortage of properties offering over 100,000 sq ft of space.

This is likely to lead to the creation of a distinct two-tier market in the City, with new prime or large buildings fetching substantial premiums and letting over the average rental for good modern premises. Such a tiered system could in fact be a real advantage for the City in that it could once again make it worth-while for developers to seek out sites for new projects in the knowledge that new buildings would meet their costs through appropriately higher rents.

To some degree a system of tiers has always existed within the City. Small suites in that Lloyd's area have always commanded rents well out of line with those in the rest of the Square Mile. Today, for instance, they are changing hands at around £22 a foot compared with the £14 or so which is typical of good air-conditioned stock generally.

Even the figure of £14 a foot is of course achievable only by a small proportion of the City's buildings. It was achieved by Hampton and Sons, for instance, in letting 14,000 sq ft of Trafalgar House's "scaffolding" block in Cannon Street. It was also achieved by Richard Ellis acting for Legal and General and the Post Office on their 85,000 sq ft St. Mary's Court.

The figure is a pointer to minimum rents likely to be paid for the new space coming on the market this year, but the average rent paid for adequate but not brand new space is more likely to be well below this.

For tenants a more accurate indicator might be £9 to £10 a square foot. This would buy space more than adequate for all but the most prestigious headquarters.

It is a curious fact that estate agents generally have come to accept that these are realistic levels of rents in the City (one cannot help but recall the days of 1972/3 when tenants were encouraged to believe that all lettings were being done at the £24 a foot levels which in fact pertained only to small suites in the Lloyd's village).

Unlikely

Moreover, most will admit that the levels are unlikely to move upwards for some time. Given the fact that supply has dropped over 60 per cent from its peak in May 1977, when "pundits" were predicting soaring rents since supply amounted to "only" 10 per cent or so of the City's total stock, one might have expected the warnings of shortage to have intensified.

Then too, the number of buildings on the market offering 50,000 square feet of space—also thought a vital indicator last year and in 1976—has also halved. There are only some five of these blocks available today. These factors would have had some agents predicting dire shortage last year. Now they are content to claim adequate supply for three years or so.

At that point a number of major new developments will be coming on stream. Foremost among these will be the joint venture between Standard Life and Greycoat Estates in Cutler Street which will offer 790,000 square feet, and Whitbread's 520,000 square foot project on its Chiswell Street brewery site.

Perhaps more significantly, the current climate is also encouraging a number of other property owners to dust off their development programmes and bring forward building dates. Among them is Baring Brothers, which together with Electricity Supply Nominees (which will take a 60 per cent equity slice) is going ahead with its 145,000 square foot redevelopment at 8 Bishopsgate. The £15m construction contract has recently been awarded to Wates.

Wimpey too, through its Wingate Properties subsidiary, is to steam ahead with Phase 2 of the Wingate Centre in the Minories. Instead of being spread over two stages, the 95,300 square feet will now all be built in one phase, a reflection of the satisfaction that Phase 1 is now fully let at around £10 a foot and sold on to an institution.

The next couple of years should also be noticeable for a steep increase in the amount of space undergoing refurbishment. As one property man put it last week "you soon won't be able to move for shoots and skips." A very high proportion of the City's relatively modern buildings are all coming up to the time when they will need pretty extensive refurbishment—a fact which has not been highlighted nearly sufficiently.

Considerable attention has been focused recently on the bunching of rent reviews in City properties which will mean hefty numbers of reversions over the next three years. What has only been mentioned in passing is that the bulk of these reviews are for 14- and 21-year periods, a long time for a building to receive only cursory maintenance.

Unless these properties are brought up to standard again, there could indeed be a shortage of adequate space in the City. In any case tenants will not be prepared to pay a full rack rent for premises which have not had an overhaul for 15 years or more.

This will put pressure on investment companies and institutions alike. On the one hand they will want to maximise rentals but on the other they will be chary of the hiccup in revenue which will occur first during a void period while refurbishment is carried out and secondly as the costs of the refurbishment eat into gross rental income.

No studies of the effects of wide-scale refurbishment on revenue projections have been undertaken so far — the figures may well be impossible to quantify — but already some stockbroking analysts are making a stab at them.

From the point of view of tenants, however, the next 18 months or so should see a fairly stable pattern of rents, followed by a period when asking prices may rise as landlords seek to cover the costs of their refurbishment works.

Christine Moir

Renovation can pay dividends

THE CONCEPT of property refurbishment is no doubt close to the hearts of many conservationists, particularly in London, but it is equally interesting to businessmen. Though the relative cost of refurbishing a property rather than knocking it down and starting from scratch can vary enormously, refurbishing *does work out* cheaper in most cases and the results are well worthwhile.

Certainly some building companies have seen themselves through a few very lean years for the building industry as a whole by relying on renovating old properties, and the healthy state of their balance sheets bears witness to the underlying strengths of this end of the market. Haslemere Estates, the country's leading company in the renovation field, is a case in point.

The conservation argument is obviously important for the community as a whole, but the selling point for the tenant is that he can have an office with a distinct character. Often tenants are professional firms or the head offices of companies which have decentralised their staff.

Tower

For both tenant and developer the cost factor is a major factor. Refurbishment costs are very much lower than complete redevelopment. There are no hard and fast figures because the overall cost varies with how far the renovation is taken. As a guide in London refurbishing costs can be anything from £12 to £35 per square foot. A complete redevelopment could cost as much as £70 per square foot. So refurbishing can represent a considerable saving, perhaps as much as halving the expediture, though perhaps a saving of a third is more typical.

But regardless of the cost it is the end-product that attracts a lot of businessmen. What they are getting is a quality building with all the luxury which came with a different era in building. Plenty of wood panelling, wide staircases and ornamental ceilings make up the general decor, but behind the scenes is a complete range of modern services, including "a loo out of the 1980s."

One big problem for the refurbishers is that before they start it is very difficult to cost the overall job. If the costing is wrong the whole development can prove a failure. When Haslemere prices a job it will top up its estimate for an element of unforeseen contingencies. The latter can be anything from dry rot throughout the structure to the need to rebuild the complete *foundations*.

The problem for a company such as Haslemere if it wants to operate outside the capital is that resistance to rent levels comes at a much lower figure. Mr. David Pickford, managing director, puts that figure at around £6 per sq. ft. At that level it would be inappropriate for Haslemere to contemplate "the full treatment." However, inside London and in some parts of the South East there is plenty of scope.

As shown by the accompanying graphs, reproduced from a recent Richard Ellis review, most of the refurbishing activity in the City is of smaller units. Since the beginning of 1974 a total of some 5½m sq ft of office space has been developed in the City. Around two-thirds of this related to refurbishing rather than redevelopment.

The smaller units attract refurbishing because it becomes economically more viable than a complete rebuild. In addition it is the smaller buildings which have tended to remain unchanged, thus providing an *ideal opportunity for* renovation.

Most of the larger schemes, *providing space of over 30,000* sq ft, were redevelopments. A lot of this redevelopment was initiated during the period of undersupply in the early 'seventies.

The majority of the redevelopment schemes have been at the eastern part of the City, while smaller refurbishment developments have been spread throughout the City centre where opportunities for major redevelopments have already been used. However, there was some major refurbishing work around the Cannon Street area.

Most companies tend to concentrate on redevelopment rather than renovation though the institutions, such as insurance companies and pension funds, tend to be more active in instigating refurbishing of their existing property holdings.

Outside of central London opportunities for full refurbishing are more limited because the ultimate rental would not justify the cost. However, there are exceptions. Haslemere quotes the case where the freehold was given to the company by Hounslow local authority for a small Georgian property. Haslemere took on the full cost of renovating this fairly small site—about 3,000 sq ft—which would have been uneconomical for the local authority.

Opportunities like this are admittedly rare. However, it is not unheard of for the company to be approached by local authorities who have listed buildings under their control with permission for office use. A local authority may not have the capital or the specialised workforce to undertake renovation but a partnership with one of the firms who concentrate on this work can obviously pay dividends.

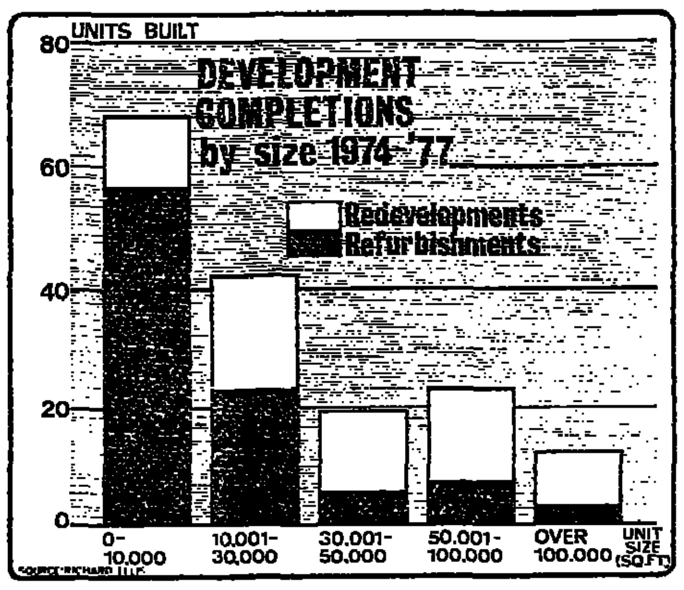
However, while an older building which has been completely renovated may be appealing to the eye, it is usually uneconomical by *modern standards. The net* office area against the gross footage is usually much smaller, and office dimensions may be all wrong for current working conditions. An office with an area capable of being used by a statistical 2½ persons obviously means that only two people can use it. The rest is wasted space. Modern office blocks are based on getting as many people packed in to as small a space as feasible.

So renovation is mainly aimed at the prestige market, *something for professional* firms and head offices. In London older premises which have been "done up" are often popular for selling offices of UK companies whose factories are in the provinces, or as UK branches of overseas companies or financial institutions.

Industrial refurbishing is far more rare than in the office world, though it has been proved a viable proposition. Obviously with some older factories renovation is out of the question, though many post-war sites can be extended and modernised.

The usual type of candidate for industrial renovation is the one-storey building which can basically be used for anything. The roof can be lifted and though it is obviously a mammoth job the rental value can be doubled. This sort of development is generally only viable where factory space is at a premium. As with office space renovation is really only feasible where the location is in demand. Hence the reason that so much work is done in the capital compared with the provinces.

Terry Garrett



Princes House and Princes Arcade, Piccadilly, part of the Hambro Property Fund.

Shop rents still rising

THERE CAN be little doubt that shop rents will continue to rise ahead of the sector average over the next 12 months. The gradual relaxation in income controls over the past year—which has seen average earnings rise twice as fast as the inflation rate—is now being felt in the retail market, with consumer spending up sharply following last year's depressed levels.

In the three months to end April sales were about 1.5 per cent up on the November-January period and were nearly 4 per cent up on February-April last year, according to Department of Trade statistics.

This rise in consumer spending, in addition to a shortage of prime retail sites, has meant that shop rentals are rising rapidly. But even during the recession shop rentals never fell from favour, confirming traditional investment rating as non-cyclical counter-inflation holdings.

This strength of the shop property market even during the recent recession was based on two main factors. First, it took some time for consumer spending power to be significantly affected by incomes policy, which meant that spending was able to keep pace with inflation. This enabled many retailers to maintain their turnover in terms of value if not volume.

Secondly, the lack of new shopping centre developments, coupled with the acceleration of the trend towards shorter prime shopping pitches, placed a premium on the supply of prime shops. Investors became aware to the prospects of rental growth against a climate of economic slump.

Classic

Shop rents levels are one of the classic examples of the interaction of supply and demand. The rent for a shop in Oxford Street is more than 10 times the level of a shop of similar size in a small town. The difference is due to competition for a prime location. Supply, however, is more easily judged. The stock of shop premises alters only as new developments are opened.

Growth in retail sales volume is mainly the product of population increase and greater personal wealth. In recent years both population and personal wealth have shown signs of decline, so the long-term effect on retail sales would be expected to be adverse. However, such factors as the increased number of tourists coming to the UK has helped mitigate this. The rate of retail sales growth past the current year cannot be forecast with absolute certainty, but it seems likely to be at least at the 1 per cent per year level maintained during the 1960s. It seems *likely therefore that retail sales* will at worst hold steady over the next five years and at best show significant real growth.

Another factor which has an influence on shop rents is the shortening of the rent review period. Even though rent reviews are for a mixture of 21, 14, seven and five-year periods, the tenant on average will have his rent trebled on review as a result of inflation. The question is whether the increasing number of shop tenants being faced with swingeing rent increases in each year will have an effect on the market level of rents. Normally the shortening review period would have the effect of reducing the gap between historic and market rents, but the rise in inflation has prevented this from happening.

Market rent for shops must reflect to a certain extent the balance of supply and demand, and demand must ultimately depend on the appetite of the retail trade for space. Broadly, it would be expected that real sales growth would encourage a rise in rents. But there are several trends in retailing which are often felt to work against rental growth.

The first is the increase in efficiency which occurs on existing floorspace. Using modern techniques a shop can accommodate extra sales without expanding its floorspace. Secondly, there has been a growth in large stores, often ground leased, at the expense of rack-rented shops. Thirdly, there has been a movement away from town centres, particularly to new large supermarkets.

While rising retail sales would tend to lead to rents increasing, new shopping developments might tend to depress them. It is difficult, however, to establish the level of increases in floorspace.

One factor especially relevant is the growth of the hypermarket and superstore. At present there are around 130 superstores/hypermarkets trading in the UK, with a further 50 outlets having planning permission.

Estimated

Overall, it is estimated that there is nearly 6m sq ft gross of floorspace under construction. The total includes the giant developments at Manchester and Milton Keynes which at around 1m sq ft each will be two of the biggest comprehensive shopping schemes in the country.

Following the noticeable relaxation in local and central government opposition to the large store developments, the leading hypermarket operators *have been pressing ahead with* schemes. One recent opening was also Carrefour's largest. This was sited at Walmley Ash Road in Minworth, north of Birmingham. It covers 148,000 sq ft, 70,000 sq ft of which is a single selling area. The building is surrounded by space for 1,300 cars.

The involvement of the major institutions in shopping centre development has been less marked since the introduction of the Community Land Act. There was, for example, the highly publicised case of the Post Office Staff Superannuation fund's pulling out of phase two of the Washington Town centre because of the liability to Development Land Tax following the leaseback. But that inhibition has been cleared away with the amend*ment to clause 45 of the Act.*

So far, however, there has not been a spate of institutions flowing back into shopping centre development, though this is mainly because of the uncertain economic climate. The improved outlook should see a substantial return of interest—which will undoubtedly help push up shop rentals even further.

David Churchill

New vigour in North West

THE RESURGENCE in propery activity has brought a renewed vigour to the North West, an area which has always suffered heavily because of its image as a graveyard of derelict textile factories. The image was never true but images are hard to kill. There are signs now that with Government assistance, the image is being destroyed once and for all, and a new one in the making.

A recent survey of the region disclosed that nearly a quarter of the property which was on the market a year ago has been successfully let. As in many other industrial areas, there is some disquiet with the evidence that it is space for warehousing rather than manufacturing that is in demand. But all sources would agree that anything is better than a return to the grim days of 1973-74 when industrial building ground to a halt and any number of projects stood idle in the pipeline with no buyers in sight.

Government recognition of the regions' special problems have been an important factor in getting the market moving again. Liverpool, Manchester and Salford are included in Government partnerships for the rebuilding and stimulation of activity in city centres.

The areas of the Wirral, Bolton and Oldham have been identified as having the special inner city problems worthy of support by way of central funds, with particular attention to the possibility of building nursery factories, and in Manchester there have been fresh attempts to disentangle the problems involving the 23-acre Central Station site, which has been vacant for ten years and on which the City would like to build a major conference and exhibition centre.

Reports from the Manchester area confirm that there is now a ready demand for industrial property and, more heartening, that this demand centres on the larger properties in the 45,000 sq ft range. In the centre of the city there is a good flow of inquiry for office property. Factory properties lie mostly outside Manchester. The most dramatic building currently on offer is the 624,000 sq ft mill formerly operated by Courtaulds at Skelmersdale, for which £3.75m is asked.

The North West Industrial Development Association has recorded 114 new developments in the region, with several major developments attracting financial support. A typical development is that of Thames Board Mills, which is to receive some £30m towards the £100m cost of extending its plant at Workington.

The building of Government advance factories has been a feature of industrial development. Such factories have been set up throughout the region, and recent lettings include premises on the Knowsley Industrial Estate and the Rock Ferry Industrial Estate, both on Merseyside, as well as at Cleaton More and Barrow in Furness.

Adverse

Merseyside, which has had more than its share of adverse publicity in the past couple of years, is now attracting interest from Continental estate agents seeking industrial properties for their clients. The Rock Ferry Estate, set up in 1976, in which the Government undertook its largest advance factory programme on record, has succeeded in letting about three-quarters of its 16 units.

Similar success on the industrial property front is reported from adjacent areas, such as Bromborough and Bebington. The attraction for European industrialists seems to be communications available in the North West—which is readily accessible by air and sea from the Continent and as well as from other areas of the UK—the prestige which still surrounds Europe's oldest industrial counties, and the opportunity to employ a skilled workforce.

Perhaps less comprehensible to critics of the North West is the "quality of life" to which European businessmen refer—apparently in all seriousness.

The pattern of Government-built advance factories and Government encouragement and sometimes finance for local efforts is spread widely throughout the North West. In Warrington, the development corporation has so far built about 2.5m square feet of new industrial development. The town is ideally situated, with Greater Manchester and Merseyside close to hand. It also has that pearl among industrial assets—it is at the hub of a motorway network. The list of major concerns due to move into Warrington already sounds like a role call of industry and commerce. But there are plans to build a further nine factories this year.

Similar plans have long been under-way at the new town around Preston and Chorley. Some 60 factories have already been built and development is about to enter the second phase.

But the deeper problems lie in the older mill towns, where the old multi-storey buildings are unlikely to find takers. The danger here is that these older buildings, while hardly suitable for modern business, will stifle new building.

North East Lancashire alone is believed to have some 1.3m sq ft of unused mill space "available." Suggestions have even been put forward for such mills, but this would be a demolishing the upper floors of difficult and dangerous operation. Moreover, it is hard to see how such a policy alone could solve the problem, which essentially is what to do with old outworn buildings.

But the stimulation provided by the Government's advance factories has contributed to the undoubted recovery in industrial rents in the past year. It is suggested that they are now rising strongly enough to enable builders to take a chance on the continued rise in building costs, which some put at 30 per cent during the average construction period. Certainly there are signs that developers are able to add about 35 per cent on to the rentals of buildings originally planned two years ago.

But the problem remains that these successes are restricted to a few areas, and that over a wide sweep of the North West industry is still suffering very badly and property development can only rely on Government encouragement. Some sources complain that even when private industry does follow the Government lead, capital spending on property is curtailed by a nervous South of England boardroom.

The North West Industrial Development Association points to both good news and not so good in its regular surveys of the region. At January last, reported the Association, lettings of both industrial and office floor space were increasing. This was highlighted by the success in letting some 1.3m sq ft of industrial property on Merseyside in the 12 months to October last.

But with so much depending on the recovery in industry, the region's property developers will be the first to be hit should the upturn throughout the UK show signs of slowing down. It is for these reasons that property men in the North West find themselves more closely linked to the general fortunes of industry than is the case elsewhere in the country.

The continuing decline on Merseyside, which leaves the area with that most destructive of combinations—a port faced with falling revenues at a time when it is desperately in need of rebuilding and modernisation—is a particular source of concern. On the face of it the port areas offer the greatest opportunities to property developers. But in the general background of gloom it is hard to see any immediate opportunities.

Perhaps the clearest example of this compulsive link between property development and industrial prospects has come in Lancaster, a proud city which ran into trouble in the sixties when jobs suddenly disappeared as the textile industry took on a new shape. In an attempt to attract new business to Lancaster, Enterprise Lancaster was created. The city contains two development estates, one privately and one publicly owned, and the chief executive set about the task of bringing business back to the town. Meanwhile at nearby Heysham a Manchester agent is at work trying to sell a 240-acre site recently vacated by Shell and ICI.

Both the local authority and the private property sector have the same problem: how to find property buyers in an area from which industry has been pulling out during the post-war period.

It is hard to see how the property sector in the north west can continue to expand unless the industrial problems of the region are solved. Opportunities for tourist development are limited—although some brave attempts have been made on the sea coast. And, it is unlikely that private housing can expand very far if the industrial base does not do so first.

The current recovery in property values will be viewed with some uncertainty until developers are convinced that private industry can sustain a growth pattern.

Terry Byland

Wales looks for more investment

FROM A commercial viewpoint, Wales has an unhealthy image. The relentless rundown of the country's traditional industries has created an air of depression that is very real indeed. Labour shedding in coal field and steelworks continues at a high rate, and despite the considerable efforts of both local and central government to create fresh job opportunities, unemployment in the industrialised regions remains way above the average for the UK as a whole.

As a result business confidence in the principality stands at a predictably low ebb and the investment climate is just about the reverse of ideal for the property market. At the turn of the year prices and activity in the residential sector were moving up sharply in line with the recent mini-boom in housing, but for the most part the industrial and commercial sectors have stayed depressed.

Ironically the major industrial regions of South Wales, where something like three-fifths of the population of the country is clustered, boast a healthy enough infrastructure. They have the workers, the sites, the harbours, the airports and the motorway and rail connections to prosper. All that is lacking is the right level of investment.

To their credit, however, the Welsh authorities are tackling the problem with vigour. The Welsh Land Authority, which administers the Community Land Act in Wales, has an aggressive programme of acquisitions on hand. Similarly, the Welsh Development Agency backed by some £160m of Government money has launched an impressive programme of factory building.

In its first year of operation the Welsh Land Authority acquired over 400 acres of land in sites ranging from one acre to 160 acres. Recent statistics from the WLA underline how active its management have been: at the end of March some 677 acres were held for development with an estimated realisable value of £6.6m.

The programme of new factory building launched by the Welsh Development Agency is the most advanced yet seen in Wales. Overall, the WDA aims to provide some 3.5m square feet of modern factory space throughout the country. A recent tally shows that 50 factories with a total area in excess of 600,000 square feet have been formally, or provisionally, allocated.

While the WDA is doing its best to keep the industrial property market in South Wales and North Wales ticking over, the central part of the country is being supported by the Development Board for Rural Wales. This Board was set up in 1976 with the aim of co-ordinating building development in the area. As well as carrying out its own factory building programme, the Board has the power to expand into residential markets as well as help with social and community projects.

The Board's initial development programme envisages the construction of more than 400,000 square feet of factory space over the next five years. It claims to have identified a "number of major growth centres" which will accommodate factory units of 10,000 square feet or more. Elsewhere, unit sizes will be limited to around 5,000 square feet. The Board is offering low rents and rent free periods as part of its policy of attracting industry. Together with the WDA it is also prepared to put up a certain amount of initial finance.

Grants

The most dramatic example of state grants in order to expand industry in Wales is, of course, the £150m or so being handed out to Ford following the motor company's decision to go ahead with a £1bn, four year investment programme in the UK. Ford is to build a major engine plant just outside Bridgend in mid-Glamorgan. The plant will eventually employ some 2,500 and should come on stream some time in 1980.

Mr. John Morris, Secretary of State for Wales, described Ford's investment decision as a "great day for Wales." And the WDA was quick to point out that one of the main reasons why Ford had chosen Wales for its new plant was that it (the WDA) was able to supply a suitable site for development at a moment's notice. For its part, Ford emphasised the areas rail links and recently opened motorway extension to within 2½ miles of the proposed site.

However, the unemployment relief afforded South Wales as a result of the Ford investment has to be seen in perspective. To begin with, the closure of the East Moors steelworks in Cardiff will probably outweigh the new jobs being created by Ford at Bridgend. Moreover, steel works employment in Ebbw Vale has dropped from 9,000 to just over 6,000 in three years and threatens to decline through a further 3,000 redundancies.

The broad weakness economy of the principality has left its mark on the office market. In Cardiff, the main centre for commercial property, the market for larger office blocks is virtually stagnant, while in Swansea and Newport conditions are described as very slow.

Cardiff estate agent Powell and Powell points out that over the past 25 years the planning authorities in the city have maintained a rigid control over office development and that this has prevented any great surplus of space at any particular time. Current construction includes a 98,000 sq. ft. development of South Gate House. Today's rental band is between £3 and £4.25 per sq. ft. of office, the agents estimate.

The attractions of nearby centres like Cardiff, Bristol and Bath have tended to overshadow the office market in Newport. The city has to a certain extent missed out on urban relocation trends: what property strengths it has have always favoured the industrial market. Despite a population comparable to that of Cardiff the commercial market in Swansea has always been largely subsidiary to that in surrounding centres.

Shops are a brighter spot. In line with retailing activity across the country shop development continues in all the major cities of South Wales. Cardiff is the major shopping area and here the new central development coupled with the "pedestrianisation" of Queens Street are in the vanguard of the trend towards brighter and busier retailing in the city.

In Swansea, a new Debenhams store ranging up to 150,700 sq ft gross looks like proving the largest store complex in Wales. The building will form the north side of the £11m Quadrant centre. This development, which should open its doors to the public in the autumn, will include some 40 or so shops, in-door market and parking for some 580 cars. There is to be a link with the local bus station.

Two additional shopping centres are planned for the north western and eastern areas of Swansea. Each will contain up to 50,000 sq ft of retailing space.

Jeffrey Brown

Uneconomical rents in the North

LIKE MOST of the other regional centres rental levels for office space in Yorkshire and the North East, with the exception of Leeds, have been and in some cases are still being depressed by the oversupply of accommodation that has been apparent since the property boom of the early 1970s. Rental levels are still uneconomical for new developments, and this is giving much cause of concern now that spare capacity is gradually being absorbed.

Leeds is now the most expensive provincial office centre. Rents for prime office space last year reached a level of just over £5 per sq ft according to a survey by Debenham Tewson and Chinnocks. Leeds was not left with any massive overcapacity following the property boom and the development programme since has been somewhat limited; these factors have served to give a relatively strong trend in rents.

However, the level of rents being achieved in Leeds should be put into perspective. For a start the figure was based on one major letting last year. IBM took some 42,500 sq ft in the Bond Street centre, and this really has been the only major office deal in Leeds for some two years.

Since most local firms have been reluctant to move from premises where there are long rent review periods, Leeds is fairly dependent on new companies coming into the area.

Moreover, there was a noticeable drop in demand from Government departments and agencies due to the cutback in public spending, so it was really only the computer industry along with insurance companies that were seeking prime office space.

So while last year closed on a very enthusiastic note, with some 100,000 sq ft being taken up and several large pre-lets being arranged the medium to long term trends are far from certain. Indeed agents Hepper Watson and Sons recently expressed some concern over the state of the Leeds office market this year.

Claim

They pointed out that a prime Leeds office block was recently offered at £4 per square foot against the £4.75 originally sought. Moreover, they claim that demand for office space since the new year has been extremely thin.

But it is unlikely that rents will start to slide since capacity still seems to be in short supply. It is estimated that there is some 250,000 sq ft of new accommodation on the books spanning 12 buildings. Of this total space available more than half is made up by three buildings which have floor space in excess of 5,000 sq ft, which is above the average Leeds inquiry.

Moreover, while it is pointed out that there is some 1m sq ft in the pipeline where planning permission has already been granted, major developments over the next two years or so are going to be few and far between.

Hepper Watson estimates that there will be about 135,600 sq ft coming on to the market this year, of which nearly 89,000 will be totally new. By 1979 the figure is expected to be in the region of 94,000 sq ft of which 65,000 will be totally new, but this is probably substantially pre-let.

A similar development programme is expected for 1980, while by 1981 the major parts of the GPO "inns of court" sites should be completed providing about 155,000 sq ft of space, the bulk of which will be totally new.

One of the major problems that is now being encountered in Leeds is that of car parking. Many companies have expressed their concern over the lack of car parking space. Leeds has become heavily pedestrianised, and it has been apparent that the authorities have been limiting the number of parking spaces being provided in new office developments. This has put a growing demand on contract parking, but these facilities tend to be away from the city centre. The Leeds Chamber of Commerce has already expressed its concern over the matter. They feel that unless one parking space per 250 sq metres is provided with new office developments, against the current figure of one per 1,000 sq metres, the planned expansion of office developments will not materialise.

The problems around the other provincial centres seems to be of a different nature from those at Leeds. In Hull, for example, demand for office space seems to be recovering and the spare capacity is fast being absorbed, but rents are still at very depressed levels.

Despite efforts to push rents higher the current figure is in the region of £2—£2.2 per sq ft. Since 1973 just under 400,000 sq ft of offices have been developed, of which around threequarters have been let or are under offer. Sufficient capacity is therefore becoming an acute problem, but at this level new developers are unlikely to be excited about the prospects in Hull. There are no new office developments presently being carried out and the prospects medium term look just as bleak.

There are, however, a number of sites which are available for office development if interest returns to Hull. Blundells Corner is a prime site and there is possibly up to 460,000 sq ft of space available here. Meanwhile the city council is presently looking at the possible development of Ferensway, which will involve over 200,000 sq ft of office space.

But these developments apart there seems little to look forward to in Hull, and for the moment interest seems to be centred around refurbishments, but this will not solve the long-term problems.

Further North the story seems to be more or less the same. In Newcastle there is

CONTINUED ON NEXT PAGE

Recovery in the Midlands

THE COLLAPSE in property rental values in the Midlands during 1975-78 can be clearly seen in retrospect as the price the region paid for its role as the industry heartland of the UK. Viewed from this angle, it is only justice that there should now be signs of a recovery in the property sector, with the brightest indications appearing in the major city centres which were once the pride of Victorian England but which were so transformed during the sixties.

Over the region as a whole, a fair demand for industrial properties has become evident, with the accent falling on warehousing rather than factory properties. But the office building sector too is seeing a significant upturn. The centre of Birmingham has always been smaller geographically than that of many other business towns, but office property in this area remains at the top of the market's list of prime sites.

Consequently there was distinct satisfaction in the property world earlier this year when it was disclosed that a major insurance institution had bought a site next to House of Fraser's Rackhams department store in the centre of the city.

Demand

This improvement in property trends has not been confined to the centre of Birmingham. There are reports of a ready demand for office space in the slightly less favoured inner ring road and Edgbaston sectors of of the city. Some sources suggest that the rejuvenation of British Leyland and its close association with the Midlands has provided a boost to confidence. Certainly there have been inquiries for property by some well-known international names. Sperry Univac has paid an admittedly modest £2.25 a sq ft for space in the Centre City Development.

Other properties, offered at higher prices, have found it more difficult to attract takers. But in Solihull, a favourite in recent years, most of the new developments which hung fire for so long during the black years have now been taken up. Indeed in this area developers are turning their attentions to the refurbishment of older properties for which demand is also recovering.

Of course, there are still some problems. Birmingham city centre is alarmed at the indications of inner city blight which have troubled other major cities in the UK and elsewhere.

On the industrial property front this has meant that developers are finding that plans for shifting factory sectors into purely warehousing projects no longer meet with approval. The authorities' chief fear is that warehouses will mean fewer jobs in the city areas where job shrinkage is already a serious problem both economically and socially. There are some indications that uneasiness over the prospects for future industrial expansion is beginning to hold back investment plans.

The other factor at present holding the recovery in check is the high level of construction cost, which continues to leave rent increases some distance behind it. This has tended to discourage new building, especially in view of the backlog of property unlet from the pre-1973 period. Consequently, while local operators are taking a very optimistic view of Birmingham prospects, it is probable that they will prove to be too far ahead of reality for comfort over the next 12 months.

The latest estimates of office space availability in Birmingham indicate that there may be as much as 1m sq ft as yet unlet. About 500,000 sq ft were let during the 1977 recovery, so this would indicate that there is still some way to go before new developments can take up the running.

Elsewhere in the Midlands the picture is somewhat patchy with, for example, access to the new motorways often distorting the pattern.

Satisfactory

Demand for office space seems to be concentrated on the letting with less than 5,000 sq ft. Below this figure lettings have been fairly satisfactory even in Leicester, where the over-supply position remains extremely serious. Rents for office space in Leicester city centre remain around £1.50 a square foot, and quickly fall back even further outside the prime areas. It seems unlikely there can be any short-term solution to Leicester's problems, and most observers are reconciled to the probability that it will take the rest of the present decade to shift the overhang, which still stands at around 1m sq ft.

A bright spot in the industrial property market has been the Luton / Dunstable area, chiefly because of access to the M1. A number of well-known developers, including Brixton Estates and Abbey Life, have established industrial estates in this area.

Shop property rents are still displaying the susceptibility to general economic conditions to be expected from a sector so closely dependent on consumer spending. But even here there are indications that the long-awaited revival in domestic consumer spending has begun to help the property sector.

But shop developments have proved to be highly concentrated geographically, with the prizes—in the form of rents up by as much as 20 per cent on 1977 levels—going to some of the new covered shopping centres developed in Wellington and Kettering.

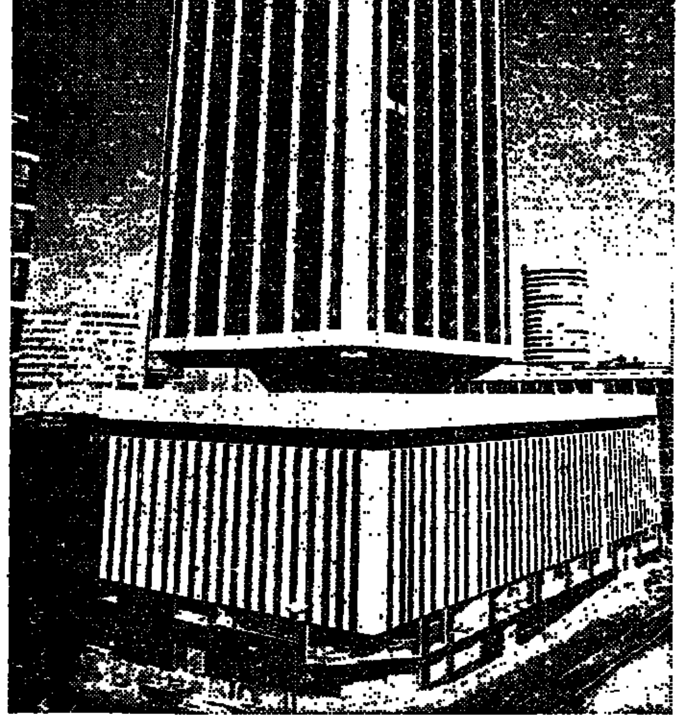
In Birmingham, the recovery in consumer spending was slower to get off the ground, and this lack of retail demand proved a depressing factor for shop rents. However, now that housewives' purses are heavier, it is likely that Birmingham shop rents will begin to catch up on the rest of the market.

Leicester enjoys happier fortunes with its shop property. Investment demand is high and yields have been held down to the 5 per cent to 6 per cent range. The centre of Northampton has proved a magnet for investment funds, but demand for shop property elsewhere in the town has been limited.

In view of the impact which the motorway network has had upon Midlands property activity, there was a keen reception for the Government's plans for a 43-mile trunk road to link Birmingham with the M40 at Oxford. At a time when road building plans are no longer greeted with the enthusiasm of the sixties, Midlands business appears reconciled to the decision that the road may not be built to motorway standards.

The significance of the new road, which will draw traffic from West London on to a new route to the Midlands, has yet to be fully appreciated in the property world. But there is no doubt that the road will make its mark on property values as well as on the countryside.

Other longer term projects which are considered likely to set a new pace for property development are the construction of a new air terminal at Elmdon Airport in Birmingham, and the future progress of the National Exhibition Centre. Government approval for the new air terminal is expected shortly.



Centre City, Birmingham, developed by the London Life Association in partnership with the Equitable Life Assurance Society, provides 170,000 sq ft of offices, shops, a public house, restaurant and bank.

Experience in the housing market in the Midlands has run true to the form of the rest of the country—a strong recovery which may or may not have been damped down by the Government's intervention to limit mortgage advances.

One of the strongest spots in the Midlands housing scene has been Northampton, which has seen the welcome return of speculative builders as buyers of potential building land—a phenomenon that many feared would never reappear after the carnage in the housing industry during the earlier part of the seventies.

This is partly because the Development Corporation is engaged in achieving its purpose of offering opportunities to reduce London's housing problem by offering houses as well as jobs. But Northampton has also benefitted from its easy access to the motorways, which heightens the town's attraction as a convenient base for salesmen and industrial executives. Prices are still extremely agreeable by London standards, with a good deal of property in the £12,000 to £20,000 range finding ready buyers.

The local authority has laid plans to slow down nconstruction of council houses from around 500 units a year at present to between 200 and 300. This policy is likely to give further stimulus to private house building.

The Secretary of State for the Environment has recently given his approval for the structure plans for Staffordshire, Stoke on Trent and Burton upon Trent. This major proposal makes provision for a population growth of more than 200,000 by 1991. Housing plans have yet to be fully detailed but the approved plan for the city of Stoke allows for some 18,400 new dwellings during the period.

With UK industry looking happier than for some time, prospects for property in the Midlands continue to improve. The problem must remain that of the heavy backlog of property awaiting takers. But assuming that this backlog will be cleared within the next couple of years, except for a few stubborn pockets, then prospects for a return to a growth path, albeit on a more restrained in line than in the past, are higher now than or several years.

Terry Byland

Consolidation in Scotland

HAVING OUTSTRIPPED the rest of Britain for the past five years or more, the Scottish economy is now turning sluggish and most analysts are expecting pretty well nil growth for the short term. Even if the outturn matches the most pessimistic of the forecasts, of course, for the property market it is still a long way from catastrophe. After all, it would simply mean Scotland reverting to the pattern of the rest of the country where, apart from the sharp slump in 1975-76, both investment and letting markets have been healthy enough for reasonable business.

Projecting a continuance of the present levels of activity over the next 18 months suggests a relative balance between supply and demand in most of the major office areas—Glasgow, Dundee, decentralised Edinburgh, Stirling — which should consolidate rents at about current levels without fuelling any upturn.

The exceptions might be central Edinburgh, where prestige space is always under pressure and where the £5 per square foot mark has been breached, and Aberdeen, if the international oil companies believed to be looking for around 150,000-200,000 square feet of space within the next three years speed up their demands.

Since May, however, a couple of intangible (but undoubtedly influential) factors have been thrown into the mix which are beginning to suggest that the status quo may not be the basis on which to project even an 18-month view.

The first of these is political. With the possibility of a General Election in October looking more realistic each week, the vexed question of Scottish devolution must become a hotter issue once again. Property men in Scotland are beginning to predict that politicians will soon be trekking north with gifts to woo the Celts. And these could well include stimuli for both industry and commerce, with an obvious spin-off for the property sector.

The second intangible item which needs evaluating is the prospect for the oil industry. The subject has once again been raised as report after report suggests that the best will be considerably short of the projections.

Together then, the political courting and the prospects of less of a bonanza from oil look like the good and bad parts of the curate's egg.

A few Scotsmen, however, differ as to what is the good part and what the bad. Some say that the politicians have already played their best card over devolution, with the promise of moving Civil Service jobs. And that the bulk of this is already under way or may not help new office development in the way Government lettings have in the past.

These pessimists point to the fact that the Government, through the DOE, has already leased 990,000 square feet of new space in Edinburgh, Glasgow, Dundee and Aberdeen since 1974. If you add in the nationalised industries and the Property Services Agency, the Government already occupies 80 per cent of Glasgow's 8m square fee of office stock.

Where Government is still making provision for decentralisation, these pessimists point out, it appears to be undertaking its own development. A case in point is the new office block just starting in East Kilbride for the Ministry for Overseas Development. It will house 600 staff, mostly recruited locally, in 115,600 square feet at a cost (for construction alone of £3.6m). But it will not be developed by the private sector.

Those who take the view that Government is already too well established to trigger off any new office letting/developing boom, however, do brighten up at what some call the "downstream" impact.

They argue, with examples to back them up, that the all-party commitment to devolution, while it may not involve any short term expansion in Government office needs, has finally awakened the private sector to the reality of a separate Scotland.

Certainly the number of English (and some U.S.) banks which have been looking for offices in the North has been on the increase. One example is Standard Chartered Bank which has taken the bottom three floors of Consort House in West George Street in Glasgow, leaving a further six floors to let.

Reverting to the second of the intangibles under study—oil—pessimism gives way to a degree of quiet confidence for some analysts. The argument runs that to-day's pessimistic forecasts only amount to a reaction against the over-bullish ones of a few years back. On sober reflection even the most pessimistic provide room for a considerable degree of activity related to an industry which is entering its "mature" phase.

Reason

This view has a lot to recommend it. It is certain that when questioned the banks are more likely to give oil as their reason for expanding into Scotland rather than devolution (though a mixture of both is probably just below the surface).

There is further evidence to support this view from the main oil centre itself, Aberdeen. Recent lettings and inquiries for office space there have, obviously, been coming from the oil industry, but there is also steady demand from general commercial firms which are finding business flowing their way along the pipelines.

The trouble with both these elements which need to be stirred into the economic stew which feeds the property industry is that they are not really digestible in their present form. It may take 18 months —to change metaphors—before they evolve into concrete facts.

In the meantime the status quo amounts to a steady level of business. It is now some months since Debenham Tewson and Chinnocks confirmed what most have guessed—that, taking rents and rates together Edinburgh is the most expensive office centre after London. More unexpected in the report was the fact that Glasgow came third.

The recent letting for £4 per foot of 12,000 sq ft of the 37,500 sq ft in Hume House on West George Street (a development by Tower Hill Property, a C. T. Bowring subsidiary) underlines the strength of modern office lettings in Glasgow. In turn this reflects the change since 1974 when Glasgow looked hopelessly overdeveloped following a spate of building rashly encouraged by an over-optimistic local authority.

Government Departments and agencies have been the main sponges for Glasgow's office supply since that time, but today's lettings are showing a healthier mix of commercial and industrial businesses in the private sector. As a result, mixed schemes like Arrowcroft's Daly's Store redevelopment on Sauchieball Street, which will provide 12,000 square feet of offices over shops, should find ready takers.

Central Edinburgh has the continuing stimulus of shortage to keep its rentals buoyant and the rare new schemes on the market today should confirm the breaching of the £5 level. One such is the 34,180 square foot refurbishment on the corner of Drunsheugh Gardens and Chester Street which is being marketed by Jones Lang Wootton.

More of a test will be the rents achieved in Scottish Life's elegant Orchard Brae House. The building offers 110,200 square feet of air conditioned space which the joint agents, Kenneth Ryden and JLW say is divisible into units from 5,000 square feet to 107,800 square feet. On site parking for 204 cars should be an attraction, as should the view, but £5 a foot may prove elusive.

Nonetheless Scottish Life should still have reason to be pleased with its development as Standard Life is, apparently, with its offices in Livingston New Town and a second office block underway in Dundee.

The Scottish Life Offices have never invested in Scotland out of patriotism, preferring to maintain a canny spread to their portfolios. But where they have been buying new, prime properties, the yields have been fully in line.

Aberdeen has been leading the field as far as yields are concerned, with rumours of prices representing yields below five per cent. Elsewhere there is plenty of concrete evidence for 5½ per cent or so, particularly for smaller blocks.

Altogether there is a healthy level of activity but one that is likely to stay flat given the economic indicators unless the Government really can find some unusual electoral gifts for the Scots.

Christine Moir

North

CONTINUED FROM PREVIOUS PAGE

under 150,000 sq ft of office space available, but the bulk of this is in small units and no single large blocks. The feeling is that the city could comfortably absorb about 300,000 sq ft of prime office space. But here again rents are too low to encourage the developer. But the position does not seem so acute as that in Hull. Rents are now creeping over the £3 per sq ft mark and at this level there should be more interest shown by developers.

Having said this while some developers are now expressing some interest in the Newcastle area there would still be economic problems while rents are under £3.50 per sq ft. The pension funds are always on the look out for prime sites but these are few and far between in the North. In the meantime demand in Newcastle for office space will have to be kept in check by the regular flow of renovated properties.

Overall the immediate prospects in the North look fairly bleak pending a significant upturn in rents, which there are few signs of at the moment. True there are the few isolated office property deals like that in Leeds, and on a smaller scale in Sheffield recently, that suggest the solution is in sight. But overall there does not seem to be any sustained trend which is what is really needed.

David Wright

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Sea of uncertainty for Norway's shippers

BY IAN HARGREAVES, Shipping Correspondent

MR. HAAKON NYGAARD, executive general manager of the Norwegian Guarantee Institute for Ships and Drilling Rigs, has a favourite metaphor to describe the institute's role in pulling Norway's shipping industry through the present world crisis.

"We had to build a bridge to take the industry over the slump. It is not surprising that half way across the chasm—whose breadth we could not measure when we began building—some people should start to look down and feel dizzy. Instead of keeping a clear head and remembering why we took a decision to build the bridge in the first place, they panic.

"As we go along, we have to make new estimates of the building materials needed to complete the bridge. Half a bridge is not much good."

This was how Mr. Nygaard described both the institute's likely future and the pressures under which it is working in a recent interview with the Financial Times. That was before the latest bout of dizziness broke out over negotiations between Hambros Bank and the institute concerning debts on the Reksten tanker fleet. Mr. Nygaard at that point was maintaining absolutely that there is no chance of "an iron curtain" descending as the institute's loans come up for renegotiation. "This is a complete misunderstanding," he said.

So, what is behind the latest bout of fuss, which has again set the volatile Norwegian Press alight with speculations of widespread shipping industry collapses and the Norwegian Shipowners Association scurrying for reassurance to the offices of Government Ministers?

Because details of the negotiations between the institute and Hambros are being kept fairly secret, it is not possible at this stage to be certain what is involved and what the potential consequences are. But there are a number of points which should be borne in mind before leaping to the conclusion that the Norwegian Labour Government is about to do what its shipowners have visualised in nightmares for the last year; that is to re-expose shipowners to the full horrors of the market, which would ensure that perhaps a quarter of them would never trade again.

The latest negotiations capture the eye because they concern the debt problems of the first and still the largest owner the institute has chosen to rescue—Hilmar Reksten. Reksten was Norway's biggest supertanker concern, with 7 per cent of the country's tonnage, when the spot markets collapsed with a previously unknown severity after the 1973 oil crisis. The company was up to its eyes in debt on new buildings, but the ships were good and the institute was formed with the intention of preventing the forced sale of these vessels to foreign interests at knockdown prices.

The company was carved up during 1976 into two sections, resulting in 10 per cent stakes in one half of the outfit for Hambros and the Aker Shipbuilding company, which was in the process of completing Reksten's fleet. Other shares belong to the Reksten family, the Government and private shareholders. A NKr 700m (valued today at £60m) loan was guaranteed by the institute to cover interest charges and the costs of either laying up the fleet or operating it at depressed rates up to late 1979. One reason for the speed and tidiness of the solution, compared for example to the drawn-out wheeling and dealing which followed the collapse of Maritime Fruit Carriers, was the fact that Hambros was in effect the company's only banker. MFC was involved with a consortium of about 40 banks, each of which was concerned not to be without a chair when the music stopped.

TANKER MARKET VALUES

Type	Size	Built	1973	1974	1975	1976	1977
			Year-end prices in U.S. $m				
Turbine	350,000	1975	—	45	27	32	23
Turbine	280,000	1974	—	—	20	25	11
Turbine	220,000	1972	52.5	25	12	15	7
Motor	135,000	1975	—	—	—	16	12
Motor	100,000	1967	27.5	11	4.75	4.25	4.5
Motor	85,000	1975	—	—	—	12.5	8
Motor	85,000	1967	22.5	9.25	4.5	6	3.5
Motor	75,000	1965	20	8.5	4.25	5	2.75
Motor	60,000	1965	13	7.5	3.75	4.25	2

Source: R. S. Platou A/S: The Platou Report 1977

The institute has now told Hambros it wants to re-examine the risk profile on the Reksten case, as its letter of contract and articles of association permit it to do. This is not abnormal. The institute's 1977 annual report disclosed that four such renegotiations were necessary last year. In one of the four cases—that involving a bulk carrier—creditors would not agree to an extension and the institute had to terminate the agreement, with a loss to itself and in effect the Norwegian Government of £1.2m.

If the same thing were to happen with the whole Reksten package, the consequences would be more serious simply because of the larger figures involved, but the effect of a collapse spread between Hambros, the Norwegian Government, the Norwegian stock market, the Reksten family and Aker would not be disastrous. But such a development would lead to a weakening of confidence in the institute by the foreign bankers on whom Norwegian shipowners have traditionally depended for 80 per cent of their funding.

This is one very big reason why the Government cannot allow the institute to go too far in pressing Hambros to take a further slice of risk on Reksten and it constitutes the bank's strongest negotiating point in the current talks. From the Hambros point of view, a collapse would be sustainable within its own balance-sheet — where write-offs of over £8m have already been taken—but if it did lead to a big Norwegian shipping catastrophe, Hambros would have helped to destroy an area of its activity where it has the reputation of being the leader.

So all sides, bank, institute, owner and Government, have much to gain by not rocking the boat too much. This is not to say, however, that the Norwegian Government is not now facing some very tough decisions about the future of its shipping policy and the role of the Guarantee Institute.

Since its formation in 1976, the institute has committed about NKr 2.5bn (£250m) of its NKr 4bn of permitted funds. These guarantees were issued on what at the time were regarded as ultra-conservative terms, but which have proved to be badly exposed because the recession has been longer and deeper than anyone was predicting in 1976, with the result that the value of some of the ships involved has been halved and halved again in the period involved.

The institute assessed the Government's risk of loss at the end of 1977 as around £35m. This is much lower than the actual funds committed because part of the committed sum has not yet been drawn upon and because second-hand values of drilling vessels, which account for just over one third of commitments, have held up relatively well. The big problem is which way to steer in the future and here opinions differ sharply.

There is a body of banking opinion which takes the view that the sooner the institute is wound up the better. This envisages a scenario of multiple company bankruptcies, first in Scandinavia and then elsewhere, resulting in a massive increase in sales to scrap yards as creditors salvage what they can, resulting in a more rapid return to balance of supply and demand in tanker and bulk carrier markets. About 30 per cent of tankers are now surplus to capacity and on present trends the problem could persist until the mid-1980s.

A slightly less tough line is that the institute should selectively re-examine its guarantees on the assumption not only that the crisis will last until 1985—this is already the official Norwegian Government assumption — but that by that time many of the ships guaranteed will, after almost a decade of idleness, be unfit to trade and that it is better to take the decision now and at least advance the re-balancing of the markets.

This is the mid-bridge position described by Mr. Nygaard and the one sections of the Norwegian Press believe has now been arrived at. One item marshalled in support of this view was the news last year that one of Norway's most successful owners, Sig Bergesen, had ordered a pair of new 300,000 dwt tankers from Japan in preference to buying up idle tonnage from Norwegian fjords.

Mr. Nygaard's view is that the institute must sit the crisis out, making savings and drawing additional commitments from bankers and others where possible.

THE GUARANTEE INSTITUTE'S LIABILITY AT DECEMBER 31, 1977

(in NKr m)

	Ships	Drilling vessels	Totals
Total guarantee commitments	1,709	1,088	2,797
(of which not yet issued)	478	76	554
Guarantees issued—	1,231	1,012	2,243
loans not drawn down	438	49	487
Liability for guaranteed issued	793	963	1,756
Guarantees obtained from other institutions	265	113	378
Net liability under Government guarantee	528	850	1,378

Source: Guarantee Institute

The Norwegian Shipowners' Association wants the Government to implement speedily an extension of the guarantee system recommended earlier this year by the Skanland Committee on Shipping. This would allow the institute to assist in transfer of vessels from distressed owners to stronger companies by guaranteeing loans up to the market value of ships to the strong company without expecting the new owner to take any share of the vessel's previous debt, which may already be the subject of a separate guarantee. In this way, the institute would be able to act, as Mr. Nygaard has put it, as a marriage broker to reduce the number of Norwegian shipping companies from the present number of 250, which everyone agrees is too big for efficiency.

For Norway's Labour Government, the problem has many sides. In the first place, no administration can lightly place at risk an industry which even in a depressed 1977 turned in NKr 17.5bn in freight receipts, amounting to 23 per cent of the country's total exports of goods and services. But the Government has recently, as part of its increasingly tight general economic policy, bitten on a bullet of special hardness to Labour politicians and legislated in effect to reduce sharply the size of its shipbuilding industry by pulling away subsidy and tax incentive props.

Mr. Hallvard Bakke, the young and by reputation Left-wing Minister with responsibility for shipping, recently re-affirmed to the Financial Times, however, that the maintenance of a strong, viable Norwegian fleet was a Government priority. The Prime Minister, Mr. Odvar Nordli, has also promised a response to Skanland by the end of the summer.

One thing upon which everyone is agreed is that in future the Norwegian fleet will be smaller and will probably slide from its fifth place in world ranking. In the first four months of this year, in spite of the Guarantee Institute, 2m gross tons of ships were sold, compared with 2.7m in the whole of last year. The fleet has now started to shrink and there could be a net reduction (new tonnage minus ships sold) of as much as 2.5m gross tons this year.

In the background is the increasing problem of high crew costs (the wages index rose 66 per cent between 1971 and 1976 and "social costs" associated with crews were up 91 per cent). The owners want more freedom to register under foreign flags and are talking to the unions about cutting manpower on some vessel types by as much as 25 per cent.

In the longer term, Mr. Nygaard backs the industry's view of itself, that it will survive because of its expertise and comprehensive maritime service capability. "These are the intangible assets that you cannot mortgage, but in present circumstances, bankers have to back people and ideas because the old securities do not exist," he says.

Norway knows that its decision to bail out the shipowners—a decision which is slowly having to be faced in other countries, including Britain—involves big risks. But with its oil reserves, the country has the means to back its shipowners through the crisis and, in spite of the buffetings, it would be surprising if it were to lose the will.

Letters to the Editor

The give-away tax treaty

From Mr. J. Newman

Sir,—It is true that U.S. incorporated and resident companies disposing of interests in the North Sea licences may claim the benefit of the present Article XIV of the UK-U.S. tax treaty and thus do not usually pay UK corporation tax on *chargeable gains on disposals of* North Sea oil interests. The Inland Revenue and the UK Government have a simple remedy to this omission under Article XXII by which the territory of the UK could be extended to include the Continental Shelf unilaterally. This, of course, should have been done back in the middle 1960s when it first became apparent that North Sea oil was going to be a valuable asset.

With regard to the unitary tax system, your article (June 29) pinpoints one of the problems with dealing with the U.S. Treasury authorities. This is their rampant fiscal and economic imperialism. In the fiscal field they have consistently disregarded the draft Organisation for Economic Co-operation and Development double tax agreements as agreed by OECD members, and preferred their own version. It is my view that the other members of the OECD should refuse to negotiate treaties on anything but the basis of the OECD draft so that the unitary principle can be killed before it is properly born.

I would like to refer back to my letter of February 23 where I first highlighted the "give-away" nature of the tax treaty. The imputation system is fiscally neutral: by this I mean that if a company pays a dividend no further or less tax in total is payable by the company and thus there is no pressure on a company either to retain or distribute funds for taxation reasons. By allowing U.S. investors, both corporate and individual, a repayment of advance corporation tax under the new treaty the company tax structure is distorted. Because the tax rate sinks down to the 42 per cent region on maximum distribution there would be, if the treaty were passed, a considerable incentive for UK companies to distribute funds to their U.S. parents. This incentive has been highlighted by the international accounting firms in presentations. Press releases, and seminars given in the U.S. It is my view therefore that the Inland Revenue and U.S. Treasury statistics on the likely repayment claims are considerably under-estimated.

I understand the estimates are based on the dividends payable in years before 1973 updated for inflation. This is the wrong basis. What should be the basis is the taxable profits of the UK subsidiaries concerned since by distributing this amount the maximum benefit, or rather reduction in UK tax payable, is obtained. As a conservative estimate I believe that *taxable* profits amount to 4-5 times the dividend flows. This means in my mind that the tax cost will be in the region of $300m per annum in addition to the back tax cost of the repayment to 1973 of some $400m. How can the UK Government justify this repayment to U.S. investors at the present time, particularly when the U.S. taxes UK business at a rate between 50 per cent and 60 per cent?

I do not wish to sound xenophobic. All I am trying to do is to say that the new treaty gives too much away. What the UK Government should negotiate for is a reduction in withholding tax rates on dividends from the U.S. to zero and the abolition of the unitary principle. It might be thought that the U.S. will drag their feet over renegotiation but this can be dealt with by serving notice of termination on the U.S. Government so that the treaties lapse.

I am sure that notice of termination would give both sets of negotiating parties a sense of immediacy which would stimulate an acceptable agreement.

J. A. Newman.
21, Mincing Lane, EC3.

Dividend control

From Mr. C. Garner.

Sir,—The Press has recently become filled with speculation regarding the demise of dividend control. The consensus of opinion appears to be that the only reason for retention of dividend control is the (hostile) response expected from the unions, if dividends, in some cases, are raised by 200 per cent, 300 per cent, or even more, at a time *when unions are being asked to* restrict wage claims to 10 per cent or less.

In recent weeks, however, and apparently without protest, the rate of return to investors on bank deposit accounts has risen by 100 per cent (i.e. from 3½ per cent to 7 per cent) and the return to investors on building society accounts has risen by 20 per cent (i.e. from 8.33 per cent to 10 per cent). The average employee appears to be doing even better; if in year one he receives a gross salary of £100 per week, an increase in year two of 10 per cent, and an increase in year three of 10 per cent, then, in accordance with the formula which is applied to dividends, the employee's rate of return on his investment capital (i.e. his own labour) is rising at the rate of over 100 per cent per annum (calculating the increase in year three as a percentage of the increase in year two) and not at the rate of 11 per cent per annum which is achieved if you calculate the increase in income as a percentage of the gross salary at the end of the previous year.

On the other hand, if dividend increases were calculated in accordance with the formula currently applied to wages, then even the biggest projected dividend increases would be seen as minor in relation to wage increases, inflation, and other (safe) investment returns. Can someone please explain why the discussion is not taking place on the basis of comparing like with like?

Charles B. Garner.
c/o Close and Son.
Knoll Road, Camberley, Surrey.

Accountancy institutes

From the Secretary,
Institute of Accounting Staff

Sir,—Michael Lafferty's assertion (June 27) that this *Institute* and its parent body, the Association of Certified Accountants, are not going to join the new second-tier accountancy body, needs elaborating. Indeed, the IAS and the ACA have been and remain keen advocates of a single technician institute serving the whole accountancy profession.

Established in 1974, the IAS already has some 11,000 members and students and conducts examinations at 30 centres in the British Isles and in 26 countries overseas. It is therefore in an excellent position to serve the whole profession.

It was from this sound base that the IAS last year invited the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Public Finance and Accountancy and the Institute of Cost and Management Accountants to enter into full partnership with the IAS in the belief that an established and reputable body was a sensible foundation on which to base co-operation. The terms for co-operation were fully open to discussion, without pre-condition.

It was a great disappointment to my council that the offer was not taken up. Nevertheless, we remain convinced that unification at technician level is both desirable and inevitable and will continue to work towards this goal. Our offer to the other senior accountancy bodies to avoid wasteful duplication of organisational and educational resources at the technician level remains open.

Brian Howe.
23, Bedford Square, WC1.

The price of petrol

From Mr. J. Strafford

Sir,—For several months the independently owned garage I normally use has been selling petrol 1p per gallon cheaper than the garage on the other side of the road. Last week the owner received a visit from a man who said he was a representative of British Petroleum—the supplier of his competitor across the road. He was told that unless he increased the price he charged for petrol then British Petroleum would reduce its price to such an extent that he would be put out of business. As my garage is owned by a *small businessman it has had to* increase its price by 1p per gallon *as it could not afford to* take on BP.

Is this a case for (a) the Prices and Incomes Board, or (b) the Monopolies Commission? Does the Government as a majority shareholder approve of the (apparently) big brother tactics of British Petroleum?

Is this an isolated case or is the practice common in the petrol business?

John E. Strafford.
"Perama."
Fulmer Road,
Gerrards Cross, Bucks.

Radio listening research

From The Managing Director BBC Radio

Sir,—With reference to the piece "ILR Moves Ahead" June 29, the BBC has been measuring the audience for BBC radio and commercial radio not just for a period of a few weeks each year, but on every day since the first commercial station opened. Indeed, we have been measuring radio audiences for the last 40 years.

Our research confirms that commercial radio has increased its share of listening over the UK as a whole from 14 per cent in the first quarter of 1977 to 16 per cent in the first quarter of 1978. Over this period we find that its daily audience has increased by 300,000. These findings are quite consonant with JICRAR's (the Joint Industry Committe for Radio Advertising Research). Your readers, especially those with advertising interests, might like to know that our research also shows that throughout the UK Radio 1 and Radio 2 remain ahead of commercial radio both in terms of daily patronage and share of listening. Our May figures are: share of listening: Radio 1, 35 per cent; Radio 2, 28 per cent, independent local radio 15 per cent. Daily patronage: Radio 1, 9.15, Radio 2 7.6 and ILR 3.75.

I am sure that commercial radio, like BBC Radio, would not wish to claim credence for only the good news.

Aubrey Singer.
Broadcasting House, W1.

Eurobank in London

From Mr. M. Montague.

Sir,—As one who has been campaigning for the European Investment Bank to open an office in Great Britain, I am delighted to learn (June 28) that it has taken such a decision. Any disappointment arises from the indication that this office is to be opened in London.

The role and opportunities via the EIB are not appreciated by British industry and would be better achieved if an office were *opened in, say, Liverpool or* Birmingham, where a major need for the resuscitation of industrial activity arises.

Michael Montague.
Riverside House, Corney Road, Chiswick, W4.

Economics of immolation

From Mr. W. Purdie

Sir,—As a consumer I have to pay an excessively high price for sugar which has resulted in over-production. This price bears no relation to the market price and my EEC masters deprive me of a cheaper substitute by imposing a levy designed to help the export of the artificially achieved surplus of sugar.

Normally, on a free market, I would pay less for my sugar, but it *seems* I have to pay a double penalty to over-produce it and undoubtedly it will ultimately be sold at an uneconomic price to a non-EEC country. I haven't forgotten the French entrepreneur who bought the high peaks of a butter mountain and sold it to Russia more cheaply than it was sold to us.

One is bound to regard this kind of activity as the economies *of immolation.*

The presence of a number of other mountains which, phoenix-like, seem continually to emerge, suggests that the original purposes attributed to EEC have been lost in bureaucratic chaos. So, unfortunately it seems, has basic economic theory.

If both a shortage and a surplus of sugar demands a high price from the consumer the laws of supply and demand, as a consequence of the market, no longer exist.

Since cheaper alternatives are frustrated by penalties there exists a state of pure monopoly and no free competition to benefit the consumer, whom, we were led to believe, the EEC was all about.

Yet a subsidy to help our ailing shipyards at no cost to the EEC is immediately subject to questions which are not, it seems, similarly directed towards help for inefficient and uncontrollable European farmers.

We should have heeded Demosthenes, who said: "There is one safeguard known generally to the wise, which is an advantage and security to all, but especially to democracies against despots—suspicion."

W. K. Purdie.
Bryn Derwen,
West Street,
Marlow, Bucks.

Today's Events

GENERAL

TUC-Labour Party Liaison Committee meets.

Announcement expected of unilateral measures to protect fish resources inside Britain's 200-mile limit.

New session of European Parliament opens, Luxembourg (until July 7).

Prime Minister opens "A Right to Vote" exhibition, celebrating 50th anniversary of equal voting rights for women, Westminster Hall, S.W.1.

National Union of Mineworkers' conference opens, Torquay (until July 7).

Talks between U.S. and South African Government open in Pretoria, aimed at persuading South Africa to sign Nuclear Non-Proliferation Treaty.

Eight major international banks expected to meet in Zurich on Turkey's $2.5bn debt to foreign banks.

Nominations close in Penistone and Moss Side, Manchester by-elections (both polling on July 13).

London Chamber of Commerce conference on Understanding the Arab World opens at 69, Cannon Street, E.C.4 (until July 7).

PARLIAMENTARY BUSINESS

House of Commons: Debates on NHS disputes; and on rural planning in Northern Ireland. Representation of the People Bill, report stage. Theft Bill, remaining stages.

House of Lords: Debates on low productivity; and on Dominican independence.

OFFICIAL STATISTICS

Retail sales (May, final). Hire purchase and other instalment credit business (May).

COMPANY RESULT

Associated Newspapers (full year).

COMPANY MEETINGS

See Week's Financial Diary on page 28.

OPERA

Royal Opera production of Pelléas et Mélisande, Covent Garden, W.C.2, 7.30 p.m.

MUSIC

Scottish National Orchestra, conductor Sir Alexander Gibson, soloists Peter Frankl (piano), Robert Tear (tenor) and Frank Lloyd (horn), perform Berlioz (Overture, Le Corsaire); Beethoven (Piano Concerto No. 3); Britten (Serenade for Tenor, Horn and Strings); and Neilsen (Symphony No. 4), Royal Festival Hall, S.E.1, 8 p.m.

SPORT

Cricket: Third Test, England v. Pakistan, Headingley; Somerset v. New Zealand, Taunton; MCC v. Scotland, Lord's. Tennis: Wimbledon championships (noon).

COMPANY NEWS

Powell Duffryn to spend over £20m

THE CAPITAL investment plans of Powell Duffryn, the manufacturing, contracting and services group principally concerned with construction, energy and transport, anticipate further expenditure in excess of £20m in the current year, Sir Alec Ogilvie, chairman, says in his annual statement.

Over the two years 1977-79 the capital investment programme, which is well supported by the group's equity base, includes £10m in engineering, £15m in continuing modernisation of its fleet and in-port services and £7m in oil and chemical storage expansion, mainly overseas, he states.

The directors, he says, are confident that this programme is laying the foundations for still higher profits when the world economic climate recovers.

As regards the current year he confirms that the directors are "prudently optimistic" at this early stage that group profits will continue to progress.

There are signs, he says, that the construction industry is slowly emerging from the recession of recent years, which should have a beneficial effect on some group activities, such as building services, contracting, timber, quarries and parts of the engineering division. On the other hand the shipping division faces another difficult 12 months.

As already known, pre-tax profits for the March 31, 1978 year rose from £13.69m to £15.01m and the dividend is increased from 7.88p to 10p net per share. On a CCA basis pre-tax figure is reduced to £7.32m after adjustments for depreciation, £4.55m., cost of sales £4.55m and the gearing factor £1.42m.

Accounts also show a £10,000 ex-gratia payment to a former director, which is net of insurance claim proceeds.

Net cash resources decreased by £0.27m during the year, compared with £2.48m last time.

Shareholders funds were strengthened by last August's £6.6m rights issue, and by the £23.2m release to reserves on adoption of ED19. The addition of £8.6m from the year's profit brings the total of shareholders interest to £96.03m (£81.3m).

New Court Property at 125p

THE LATEST offer of units from New Court Property Fund is available until July 15, at a price of 125p per unit. Based on current rental income, the yield is estimated at 4.8 per cent.

This fund, which is sponsored by N. M. Rothschild Asset Management, enables tax exempt pension funds and charities to participate in direct property investment, with expert management, without losing their favourable tax status. The fund now stands at £25m, with units held by about 100 pension funds and charities.

Since the previous issue of units in March, the managers have agreed terms for the purchase of £1.8m of further prime investments, including offices and a warehouse in the South East. Several further acquisitions are in an advanced stage of negotiation and when completed will result in the fund being fully invested in accordance with its targets.

At present, the property portfolio is spread between shops (23 per cent), offices (39 per cent), industrials (29 per cent) and agricultural (9 per cent). During the past 12 months, the price of units has increased by 13.1 per cent, while a distribution of 5 per cent has been made (based on the price 12 months ago).

MIDLAND BANK STATISTICS

Statistics compiled by the MIDLAND BANK show that the amount of "new money" raised in the UK by the issue of marketable securities in June was £121m, an increase of £41.2m on the total for May. Companies and public bodies raised almost identical amounts. In the first six months of this year £426.3m has been raised compared with £755.6m in the same period of 1977.

Total company issues, at £60.5m was £11.2m higher than the amount raised in May, and the second largest this year. Altogther, 15 rights issues raised a total of £55.1m in the month.

The public bodies' share of the total was also £60.5m.

Polymark to continue progress

Continuous progress in the next few years is forecast for Polymark International by Mr. P. Meyer, chairman, in his annual report.

The expectation is based on the group's solid foundations, the last few years' rapid but controlled expansion, the strengthened balance sheet, the specialised products being marketed and a willingness to innovate, the chairman says.

In 1977, pre-tax profits rose from £740,641 to £849,178 on turnover of £12.46m against £9.9m. The dividend is 2.7225p (2.475p).

The improvement noted in the previous year's accounts was maintained in 1977, Mr. Meyer says. Bank overdrafts in particular have been reduced from £1.5m. to £850,000.

The year under review saw the launching on the British and Australian markets of a new German continuous washing machine, now manufactured under licence by Polymark (Sussex).

Transtat continued to expand both into new territories and industries. New applications are being investigated all the time and the sports clothing and shoe industries are now major parts of the group's market.

During the year Polymark Corporation took over direct control of sales in North America.

London & Northern to pick up

MR. J. H. M. MACKENZIE, chairman of London and Northern Group says the company has now come through a very difficult period and management figures for the first four months of 1978 confirm the expectation of a resumption of growth in the current year.

As reported on May 25, pre-tax profits for 1977 fell from £9.58m to £6.37m on turnover of £163.9m (£227.2m).

The chairman points out that in recent years the cover for the ordinary dividend has been eroded and little has been put to reserve to improve the asset base in a period of rapid inflation. In order to restore and thereafter maintain a more satisfactory level of retentions the directors decided to reduce the rate of dividend. The payment is cut from 3.25n to 2p net.

The 2.6 times cover for this dividend is considered to be appropriate at the present time in the fields in which the company operates, says Mr. Mackenzie.

The balance sheet shows that net tangible assets attributable to holders have increased to £22.35m and with minority interests now total £27.97m. They would be materially higher if full advantage of ED19 was taken. Net borrowings including those attributable to minorities amounted to £21.15m.

An offer has recently been announced by Cement-Roadstone Holdings for the associated company J. & W. Henderson (Holdings) which the directors have undertaken to accept. If the offer is successful the group will receive a cash consideration of £1.95m. In addition to the impact on borrowings cash flow will be improved by interest savings which will exceed the dividends on the shares being sold.

Dunhill's financial strength

THE GROWING liquid resources at Alfred Dunhill mean that the group is well placed to finance the projected expansion by internal growth and acquisition, Mr. Richard Dunhill, the chairman, tells shareholders.

At the 1977-78 year-end, liquid funds and short term investments increased by a further £2.4m to stand at £14.2m. The rise of £4.9m to £7.9m in short and medium term bank borrowings reflects the cost of financing operations outside the UK, the chairman says.

For the year ended March 31, 1978, the group reported pre-tax profits up from £9.2m to £9.6m from turnover of £52.56m against £37.83m. The dividend is 8.7165p (7.88636p).

A cost of sales adjustment of £1.39m, depreciation adjustment, £205,000 and gearing, £73,000 reduces pre-tax profit to £8.13m.

External and internal factors contributed to the relatively small increase in profits compared to sales, the chairman states. Externally, the group suffered throughout the year from reduced demand for luxury merchandise in the major European markets and Japan, due to the poor economic situation in almost all countries and additionally to political uncertainty in some of them. Business in the UK was also depressed throughout the year.

In the UK, U.S., Hong Kong and France, where the domestic currency was consistently weak against the Swiss franc and the Deutsche mark, profits were squeezed by the rising cost of imported goods and high rates of internal inflation.

New products and new businesses mean substantial initial costs associated with the development effort and the launch period, all of which have to be charged to profit before the projected benefits begin to materialise. During 1977-78 costs of this nature exceeded £1m.

The chairman is confident that expansion across the field of luxury goods for men offers excellent opportunities, and that the efforts of the last year will be followed by a satisfactory growth of profits in the future.

Lighters are still the largest product group, though its importance has been reduced by growth in other areas.

The toiletries business has formed an association with a specialist who has had many years' experience in the U.S. toiletries and cosmetics market. Substantial costs were incurred during the year on the development of an entirely new Dunhill line to complement the restyled Classic line. These new products will be launched later in 1978.

Initial costs in establishing the new line in menswear have been considerable but an improvement in margins has already materialised, Mr. Dunhill says.

The market value of freehold and leasehold premises exceeds book value of £2.29m by some £2m. The majority of this excess is attributable to the head office in Duke Street.

Dunhill is controlled by Rothmans International. Meeting, Cafe Royal, W., July 26 at noon.

New financial controller for Staflex

Changes in the financial management of Staflex International, the troubled iron-on interlining specialist, have been announced. Mr. G. S. Moyse, the financial director, has resigned and Mr. Peter Mobey has been appointed financial controller though, so far, without a seat on the Board.

The company has told shareholders they must brace themselves for "very severe trading losses" in the 1977 figures. It has recently agreed to a package of sales and closures designed to reduce borrowings following news that the company was in breach of its borrowings powers.

B & C not without confidence

ALTHOUGH AT this stage, reduced pre-tax profits are indicated for the current year at British and Commonwealth Shipping Company, Sir Nicholas Cayzer, the chairman, does not feel any degree of despondency about the group's future generally.

He tells members in his annual statement that he is in fact, not without confidence regarding the future, but adds that clearly this must have reference to the UK and other countries' economic climates.

Sir Nicholas feels confident that the group can rely on increased contributions from many of its trading subsidiaries and a considerable improvement in its share of profits from associates.

However, he says it is likely that these "pulses" will be more than offset by the effect on the group's reduced shipping interests of the present downturn in the industry and such other factors as increased interest charges payable against assets which will take time to produce a return.

As reported on June 16, pre-tax profits for 1977 rose from £27.27m to £29.31m, on turnover ahead at £238.13m (£218.1m).

The contribution from shipping showed a marked reduction, partly explained by the group's increased participation in OCL and the resulting decrease in its direct shipping activity.

Sir Nicholas states the trading performances of the group's six bulk carriers and the floating supply base were disappointing and collectively contributed a £2.5m loss. The supply ship remained idle throughout the year and faith in her, longer term, has still to be justified, he adds.

Although, the group retains substantial indirect interests through its investments in OCL and Safmarine, it has a much reduced direct investment in shipping represented by its Indian and East African trades, refrigerated cargo vessels, bulk carriers, a supply ship and two products tankers due for delivery in 1979.

The Bristow Helicopter Group improved its performance and provided the largest single contribution to operating profits, while the aviation support services sector showed a useful increase arising largely in the area of manufacture of ground support equipment.

In the leisure sector, the group is now left with two hotels in the Canary Islands and the Mount Nelson, in Cape Town. The latter continued profitability in 1977, but although progress was made in the Canaries, the hotels there are still some way short of profit, Sir Nicholas points out.

He sees progression continuing in the office equipment division, and the industry, generally as offering an area of expansion.

Caledonia Investments owns some 49 per cent of the equity.

Meeting, Baltic Exchange Chambers, EC, July 26, at noon.

£20m sales boost seen by Lesney chief

TWO ACQUISITIONS in the last three months could be expected to boost group sales of Lesney Products and Co. by at least £20m a year, said Mr. P. M. Tapscott, chairman at the AGM of the company.

Group sales in the financial year to January 29, 1978, were £63m.

In April, Lesney bought Metal Castings Doehler, and last week it announced that it was buying AMT Corporation of Troy, Michigan.

It was now a minimum and early objective to get £1.5m pre-tax profits from these companies, and the directors would not be content until they did even better than that, members were told.

The following are extracts from chairman's statements of other AGMs.

More O'Ferrall—Mr. E. R. More O'Ferrall said:

All the company's enterprises, with the exception of one very small one in Ireland, were having a very good year currently and the directors anticipated with confidence that results for this year would show a satisfactory increase.

Selincourt—Further progress in the current year is clearly indicated, Mr. L. L. Leighton reported.

He also said that without dividend restraint the company would probably have recommended a dividend total of 3.5p gross (against the actual 1.85p).

It would have been possible to make such a payment and, on a realistic tax charge, still have the threefold cover for the payment which the directors consider to be desirable.

Aberdeen Construction Group—Mr. W. Tinch said that it was now considered likely that, almost wholly as a result of adverse weather conditions experienced in the first quarter of 1978, profit for the first six months of the year, due to be announced in September, would be lower than that for the corresponding period.

With regard to the remainder of the year, the work loads of almost all group companies were greater than had been experienced for several months. Tendering opportunities had also increased and this improvement appeared likely to endure for some time.

Respectable increase seen by Staveley

A FURTHER respectable increase in profits and turnover for the current year is expected by Staveley Industries and there is considerable confidence in the group's ability to continue progress next year and beyond, Sir Harry Moore, the chairman, tells members.

Internal growth and a policy of substantial investment in existing operations are continuing and the chairman's forecast is based on the expectation of a steady profit increase from this source. Now the Salter Group has been successfully absorbed, directors are actively investigating other opportunities for expansion.

Profits before tax for the 18 months to April 1, 1978 were £15.02m or £10.01m annualised compared with £6.76m in 1976—including the Salter Group, turnover rose from £103.83m to £182.99m (£121.99m annualised).

The total dividend is 13.5036p (7.8p) and if ACT is reduced a further amount not exceeding 0.8964p will be paid. When dividend restraint is removed, a steady but prudent progression in future dividends is anticipated, Sir Harry says.

Pre-tax profit is reduced to £9.27m after adjusting for depreciation, £3.5m, cost of sales, £5.81m and gearing, £1.37m.

The group result was largely due to improving margins and efficiency, the chairman says. Cash disciplines continued to be very tight, expenditure on product development increased and control of working capital maintained.

The steady and steep reduction in financial gearing over the last seven years has been deliberate and over later years has been aimed at giving room for significant investment and acquisition. The room has been created and the group can pursue plans for growth and expansion, says the chairman.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Alexanders Discount, A. G. Barr, Brentnall Beard.

Finals—Associated Newspapers, Bambergers, Caledonian Associated Cinemas, Granada, Henderson-Kenton, Kleen-E-Ze, London and Midland Industrials, Marshalls (Halifax), Mask Dollar.

FUTURE DATES

Interims—

Bath and Portland	July 4
General Consolidated Invest. Tst.	July 11
Kershaw (A.)	July 17
Mercantile Investment Trust	Aug 13
Rank Organisation	July 17

Finals—

British Dredging and Engineering Appliances	July 13
Elliott Group of Peterborough	July 14
General Electric	July 6
Harris (Philip)	July 27
Inchcape	July 13
Magnet and Southerns	July 19
May and Hassell	July 18
United Gas Industries	July 19
Wellman Engineering	July 4

Diversification at Alida Packaging

Future activities of Alida Packaging, while still being predominantly those of plastic packaging manufacturing, will embrace peripheral activities broadly involved with plastics or packaging or both, Mr. Rex Stone, the chairman, tells members in his annual statement.

The directors, he says, intend that this broadening of the operational and product base will be achieved by setting up green field ventures themselves, or by acquiring existing companies which are capable of profitable expansion and which fit into the group's defined acquisitional and diversification policies.

As reported on June 2 pre-tax profits for the March 31, 1978 year finished at £722,086 against £661,703 despite a second half fall from £391,401 to £384,960. The dividend is stepped up to 5.3206p (3.6589p) with a 4.1206p final.

Meeting, Heanor, Derbyshire on July 21 at noon.

FT Share Information

The following security has been added to the Share Information Service appearing in the Financial Times:

Brambles Industries (Section: Overseas—Australia).

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Barking (01-592 4500)	10½	½-year	1,000	4-6
Barking (01-592 4500)	11¼	½-year	5,000	4-6
Barnsley Metro. (0226 203232)	11	½-year	250	5-7
Knowsley (051 5485555)	11¼	½-year	1,000	5-7
Poole (02013 5151)	10¾	½-year	500	5
Poole (02013 5151)	11¼	½-year	500	6-7
Redbridge (01-478 3020)	11	½-year	200	5-7
Sefton Met. BC (051 922 4040)	11¼	½-year	2,000	5-7
Thurrock (0375 5122)	11¼	½-year	300	4
Thurrock (0375 5122)	11¼	½-year	300	5-8

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 21.7.78.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10½	11	11¼	11½	11½	12	12¼	12½

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFL" FFI is the holding company for ICFC and FCI.

Pending dividends timetable

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

Company	Date	Announcement last year	Company	Date	Announcement last year
AAH	July 26	Final 6	Hambros Tst.	July 21	Final 1.12
Anglo Indo.	Aug. 3	Final 1.914	*Hambros	July 19	Final 3.675
Assoc. Inds.	July 19	Final 1.7532	Illingworth-Morris	July 28	Final 0.47
*Alexanders Discount	July 3	Int. 4.5	*Imperial Grp.	July 12	Int. 2.25
Allnatt London Prop.	July 22	Final 4.3795	*Inchcape	July 27	Final 3.45
*Anglo-American Corpn. Grp.	July 28	Divs. due	Johnson-Richards Tiles	July 19	Final 3.829
*Anglo-American Secs.	July 5	Int. 1	Leitrest Int.	July 26	Final 2.311
*Assoc. Newspapers	July 3	Final 3.518	*Lloyds Bank	July 21	Int. 3.713
Ault and Wiborg	Aug. 18	Int. 0.85	LRC Intl.	July 29	Final 2.179
Barclays Bank	July 28	Int. 3.3	*Magnet and Southerns	July 19	Final 5
*Bassett (Geo.)	July 4	Final 4.0386	Mercury Secs.	July 21	Final 3.3294
Bath and Portland	July 4	Int. 2.3	*Meyer (Mont. L.)	July 27	Final 2.935
Bibby (J.)	Aug. 16	Int. 2.5	Midland Bank	July 22	Int. 5.75
*Birmid Qualcast	July 19	Int. 1.36	*NatWest Bank	July 28	Int. 5.165
Carrington Viyella	Aug. 10	Int. 0.59695	Norcros	July 22	Final 2.9937
Commercial Union	Aug. 5	Int. 2.564	Prestige	July 29	Int. 1.75
*Crown House	July 28	Final 2.538	Prop. Security Inv.	Aug. 9	Final 1.4325
Dalgety	July 14	Final 11.7375	*Rank Org.	July 17	Int. 2.111
*Daily Mail & Gen. Tst.	July 5	Final 7.512	*Redland	July 29	Final 2.042
Davy Int.	July 26	Final 6.6	Rothmans International	July 7	Final 1.3615
*Distillers	July 13	Final 4.49289	Rothschild Inv.	July 13	Final 6.27
Dixons Photo.	Aug. 3	Final 1.34	*Scot. and Newcastle Brew.	July 6	Final 1.65225
*Dowty Grp.	July 19	Final 1.5	*Scot. and Univ. Inv.	July 7	Final 2.87
Fitch Lovell	July 27	Final 2.318	Smith and Nephew	Aug. 8	Int. 0.791
Gen. Accident	Aug. 10	Int. 3.75	*Stenhouse	July 20	Int. 1.65
*General Electric	July 6	Final 1.802	Sth. Conversion and Inv.	Aug. 2	Final 0.99
Grattan Warehouse	July 13	Int. 1.795	Taylor Wdrw.	July 20	Int. 1.95
*Gillette Bros. Disc.	July 25	Int. 6.6	*Thorn Elec.	July 7	Sec. int. 4.5332
Glynwed	Aug. 16	Int. 2.45	*Unigate	July 21	Final 1.8672
*Granada	July 20	Int. 1.0643	*Union Discount	July 19	Int. 6.5
Grindlays	July 27	Int. 0.5	Vaux Brews.	June 24	Sec. int. 6.83
GL Universal Stores	July 21	Final 4.155			

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Effective from June 24

Years	Quota loans repaid: by EIP†	At‡	At maturity§	Non-quota loans A* repaid: by EIP†	At‡	At maturity§
Up to 5	11¾	11½	11¼	12¼	12¼	12⅜
Over 5, up to 10	11½	12	12½	12¼	12½	13¼
Over 10, up to 15	12¼	12½	12⅞	12¾	12⅞	13¼
Over 15, up to 25	12½	12⅞	13	13¼	13⅜	13½
Over 25	12⅞	12⅞	13	13⅜	13⅜	13½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
75	F.P.	30.6	95	88	Bramall (C.D.)	95	+1	[illegible]	[illegible]	7.9	4.6
130	F.P.	5/7	169	160	Eurotherm	168		[illegible]	[illegible]	[illegible]	[illegible]
154	F.P.		35	33	Thames Plywood	34		[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	90p	90p	Allied Leather 8% Pref.	90p	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
[illegible]	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

TEL AVIV STOCK EXCHANGE

Company	Prices July 2 1978	Change on the week	Company	Prices July 2 1978	Change on the week
Banking, Insurance and Finance			Bank Leumi Investment	[illegible]	[illegible]
United Mizrahi Bank	279	−7	Clal Israel Investment	[illegible]	[illegible]
Israel Discount Bank	314	−2	Commercial & Industrial		
General Mort. Bank	486	−6	Alliance Tire and Rubber	1,450	−30
Tefahot Israel Mort. Bank Br.	611	−28	Elco Br.	375.5	+3.5
Land Development			Argaman Textile Br.	[illegible]	[illegible]
Africa Israel Invest. 1/10	[illegible]	[illegible]	"A" Textile "B"	[illegible]	−7
Israel Land Develop. Br.	271	−25	Amer.-Israel Paper Mills	[illegible]	[illegible]
Property and Buildings	250	−25	Elite	469	−11
Public Utility			Teva Reg.	356	−26
Israel Electric Corp.	346	−24	Fuel and Oil		
Investment Companies			Delek	279	−18

Source: Bank Leumi le Israel B.M.

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Allied Irish Banks Ltd.	10 %	■ Hill Samuel	§10 %
American Express Bk.	10 %	C. Hoare & Co.	†10 %
Amro Bank	10 %	Julian S. Hodge	11 %
A P Bank Ltd.	10 %	Hongkong & Shanghai	10 %
Henry Ansbacher	10 %	Industrial Bk. of Scot.	10 %
Banco de Bilbao	10 %	Keyser Ullmann	10 %
Bank of Credit & Cmce.	10 %	Knowsley & Co. Ltd.	12 %
Bank of Cyprus	10 %	Lloyds Bank	10 %
Bank of N.S.W.	10 %	London Mercantile	10 %
Banque Belge Ltd.	10 %	Edward Manson & Co.	11½ %
Banque du Rhone	10½ %	Midland Bank	10 %
Barclays Bank	10 %	■ Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	■ Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit. Bank of Mid. East	10 %	Norwich General Trust	10 %
■ Brown Shipley	10 %	P. S. Refson & Co.	10 %
Canada Perm't. Trust	10 %	Rossminster Ltd.	10 %
Capitol C & C Fin. Ltd.	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10½ %	E. S. Schwab	11 %
■ Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	10 %	Shenley Trust	11 %
C. E. Coates	11 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	*10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk.	10 %	Whiteaway Laidlaw	10½ %
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	11 %	■ Members of the Accepting Houses Committee.	
First Nat. Fin. Corpn.	11½ %	* 7-day deposits 7%, 1-month deposits 7¼%.	
First Nat. Secs. Ltd.	11 %	† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7¼% and over £25,000 7½%.	
■ Antony Gibbs	10 %	‡ Call deposits over £1,000 7%.	
Greyhound Guaranty	10 %	§ Demand deposits 7¾%.	
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

INTERNATIONAL COMPANY NEWS

Telebraz seeking $180m in Euromarket venture

BY MARY CAMPBELL

MANDATES WERE awarded at the end of last week for two major new international loans, one for the Brazilian telephone authority, Telebraz, and the other for Korea Electric Company. In both cases, Chase Manhattan will be lead manager.

The Telebraz loan will be $180m in two equal tranches. One ten year tranche will offer participating banks a margin over inter-bank rates of 1¼ per cent and the other for 12 years a margin of 1⅜ per cent. The margins are respectively ⅞ and ¾ a point lower than those on the last comparable deal for the Brazilian Highways Authority, DNER. The latter loan, managed by Chemical Bank, has recently been closed at $225m, which is $25m more than originally scheduled.

The Telebraz loan, which is guaranteed by Brazil, marks the first occasion that Telebraz has raised a syndicated loan in its own name—hitherto its role in Brazil's Euromarket borrowing has been to provide guarantees for loans raised by state telephone authorities.

The Korean loan, reported by Reuter from Seoul, is $400m for Korea Electric for two nuclear power plants. According to the report, the ten year loan would offer participating banks a margin over inter-bank rates of 1 percentage point.

Other weekend Eurocredit news includes the conclusion of the largest ever internationally syndicated loan to be denominated in Kuwaiti dinars—KD 14m for 4 years for Al-Babtain Company, the Nissan-Datsun distributors in Kuwait. The loan, which pays 1⅜ per cent above KD inter-bank rates, was arranged by National Bank of Kuwait and Chase Manhattan.

The size of Tunisia's current loan has been raised from $100m to $150m.

Artoc in $11m deal for stake in Lee Nat.

ARTOC America Ltd., part of the expanding Artoc Group, is now concluding a major transaction in the U.S., report Agencies.

Clients of Artoc Bank and Trust Ltd., the banking arm of Artoc Group, own over 23 per cent of the UK quoted Talbex group.

The latest transaction is the acquisition of a 40 per cent equity interest in Lee National Corporation of New York, together with certain continuing loan arrangements totalling approximately $11m.

At the moment, Lee National is a publicly quoted real estate company with property interests throughout the U.S. Existing management owns 60 per cent of the equity.

Outside shareholders have now voted in favour of accepting $3.25 per share, some 50 per cent more than the share price being traded on the American Stock Exchange before the announcement of the merger. The offer price of $3.25 per share was computed by an independent firm of investment bankers.

UDC places Stanbic shares

BY RICHARD ROLFE

JOHANNESBURG, July 2.

UDC HOLDINGS, the South African arm of UDT which recently sold it banking company, UDC Bank, to Standard Bank Investment Corporation (Stanbic), has placed the bulk of the Stanbic shares issued to it in exchange for UDC Bank with South Africa's largest investment institution, the Old Mutual.

UDC Holdings acquired 3.5m shares in Stanbic as a consideration worth approximately R12m ($14.2m) for UDC Bank. Of these shares, 540,000 had to be retained in UDC Holdings for allocation to its outside shareholders. The Old Mutual has bought the balance of 2.96m for R9.8m, equivalent to 330 cents per Stanbic share. This is ex the final dividend of 18.5 cents and compares with the current Stanbic price of 395 cents, though the shares have recently been as high as 410 cents before retreating.

UDC Holdings said in a statement to-day that it was not its policy to retain a long term holding in Stanbic, and this, taken with the need to finance the remaining debtors book of its Ryan Nigel subsidiary, led to the decision to place the shares. Ryan Nigel has been forced to provide for bad debts of more than R10m on its R40m debtors book.

Old Mutual is the largest shareholder in Nedbank, the fourth largest banking group in the Republic (with Stanbic the second) and appears to have taken up the Stanbic shares as an investment rather than for strategic considerations. Stanbic paid a 28 cents dividend last year, so Old Mutual has bought the shares on an historic yield of 8.5 per cent, but analysts expect a Stanbic dividend increase in the current financial period.

This is Old Mutual's second large recorded share deal in recent times. A week ago it was recorded that it had bought 0.5m shares in Gold fields of South Africa from Consolidated Gold Fields for a sum approaching R10m. It now holds 5.5 per cent of Gold Fields of South Africa.

Zenith watch deal

ZENITH Radio Corporation has agreed to sell its watch operations to a new corporation being established by interests in Switzerland reports AP-DJ from Chicago.

Zenith said the new corporation, to be formed in Switzerland, will acquire the assets of Zenith Time S.A. le Locle, Switzerland, including its European sales subsidiaries and the assets of Zenith Movado Time Corporation its U.S. distributor.

Terms of the agreement were not disclosed but Zenith said the sale will not have "a material impact" on its 1978 profits.

Casino plan in the Transkei

BY OUR OWN CORRESPONDENT

JOHANNESBURG, July 2.

THE DIVERSIFIED South African group, Rennies Consolidated, in which Jardine Matheson holds 51 per cent of the shares, has announced plans to build on R25m ($28m) casino complex in the Transkei, the first of the South African homelands to attain independence. Scheduled for completion in 1980, this is the first major investment in the Transkei by a foreign concern, though a harbour project by various French interests has also been mooted.

The plans envisage a 350 bedroom, 5-star hotel at Port Edward, just inside the Transkei and strategically placed at 120 miles from Durban to catch the South African holiday trade. A property company, in which the Transkei Government will hold 51 per cent, will own the land and buildings, and the initial phase calls for R7m investment to build up to 150 beds. The operating company, in which Holiday Inns, a Rennies subsidiary, will hold 70 per cent, will expend another R3m.

The second phase of development, according to Rennies vice-chairman Mr. E. Steyn, will entail building another 200 bedrooms at a cost of R15m, to be tackled on a "modular" basis.

There are no casinos in South Africa as such, but they have been developed in Swaziland, Lesotho and Botswana, primarily by Holiday Inns and the local group Southern Sun, a subsidiary of SA Breweries. More recently, a casino complex has been developed in the other independent homeland, Bophuthatswana, near Pretoria.

Bulova write-off

BULOVA WATCH has taken a writedown of $13m in the fourth fiscal quarter ended March 31 as it finalised a three year restructuring programme and reported a resulting loss of $15.5m on net sales of $203m, for the fiscal year, reports AP-DJ from New York.

The management is forecasting a profit for the current year. In 1977 Bulova reported a loss of $6.9m.

CURRENCY, MONEY and GOLD MARKETS

Expansion of the snake

BY COLIN MILLHAM

If the European currency snake was created as a step in the direction of European monetary union it cannot be regarded as a conspicuous success so far. Many European countries have been members of the snake (otherwise known as the joint float agreement) at some time, but only a few have managed to remain in over a long period.

A country does not have to be a member of the European Economic Community to join the snake, since Norway is still in the agreement, and Sweden has participated in the fairly recent past, while three of the largest members of the EEC have not been in the snake for some time.

The establishment of closer monetary ties between Common Market countries is obviously to be hoped for if the EEC is to fulfil its potential as an economic and political force within the Western World, but the different inflation rates of various countries has been a major obstacle in attaining this goal.

At present the joint float agreement tends to revolve around the West German D-mark, while the German's enjoy a much lower inflation rate than most of their major partners in the EEC such as Britain, France and Italy.

The lira is an obvious example of a currency which would find great problems in rejoining the snake, with the present political instability in Italy and an inflation rate of about 12 per cent, but there may be room to include the lira at some time if the terms of the agreement are made slightly more liberal to encourage other members to join.

Recent rumours have tended to centre around the French franc however, with suggestions that the next European Council meeting will look at ways of bringing the French currency into the float. President Giscard d'Estaing tended to reinforce this when he said on Friday, that the franc would not rejoin the snake in its present form.

The franc finished rather weaker on Friday after the President's statement, but had touched its highest level for over two years against the dollar in earlier trading.

Sterling also benefited towards the end of last week in the wake of these rumours, since it was argued that if the franc was to become part of a new plan for monetary cooperation, sterling could also become part of a new agreement. This helped to push the pound to its highest level since April 13 against the dollar last Thursday.

GOLD

	June 30	June 29
Gold Bullion (a fine ounce)		
Close	$185-185½	$184-184½
Opening	$184½-185	$184½-185½
Morning fixing	$185.20 (£99.402)	$184.60 (£99.652)
Afternoon fixing	$185.05 (£99.493)	$184.80 (£99.225)
Gold Coins domestically		
Krugerrand	$191¼-193¼ (£102½-103½)	$191¼-193¼ (£102¼-103¼)
New Sovereigns	$54½-56½ (£29¼-30¼)	$54½-56½ (£29¼-30¼)
Old Sovereigns	$55½-56½ (£29-30)	$54½-56½ (£29¼-30¼)
Gold Coins internationally		
Krugerrand	$188½-190½ (£101¼-102¼)	$189½-191½ (£101½-102½)
New Sovereigns	$52½-54½ (£28-29½)	$53½-55½ (£28½-29½)
Old Sovereigns	$53½-55½ (£28-30)	$53½-55½ (£28½-29½)
$20 Eagles	$276½-279½	$277½-280½
$10 Eagles	$145-148	$140-145
$5 Eagles	$99½-103½	$98-103

CURRENCY MOVEMENTS

June 30	Bank of England Index	Morgan Guaranty changes %
Sterling	61.48	−41.5
U.S. dollar	87.14	−7.2
Canadian dollar	84.86	−12.9
Austrian schilling	139.87	+18.7
Belgian franc	109.86	+11.6
Danish krone	114.50	+5.4
Deutsche Mark	140.52	+35.8
Swiss franc	183.54	+77.1
Guilder	120.21	+18.0
French franc	99.61	−3.8
Lira	55.28	−46.2
Yen	145.48	+43.8

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

THE DOLLAR-SPOT

June 30	Day's spread	Close
Canad'n $*	88.87-89.00	88.95-88.98
Guilder	2.2303-2.2345	2.2330-2.2345
Belgian Fr	32.66-32.745	32.73-32.745
Danish Kr	5.6375-5.6445	5.6395-5.6415
D-Mark	2.0745-2.0770	2.0760-2.0770
Port. Es	—	45.58-45.68
Lira	854.45-855.00	854.45-854.65
Nrwgn. Kr	5.4000-5.4080	5.4060-5.4080
French Fr	4.4825-4.5100	4.5050-4.5100
Swedish Kr	4.5730-4.5765	4.5730-4.5750
Yen	204.65-205.05	204.65-204.85
Austria Sch	—	14.94-14.945
Swiss Fr	1.8545-1.8595	1.8570-1.8585

* U.S. cents per Canadian $.

FORWARD AGAINST $

	One month	% p.a.	Three months	% p.a.
Canad'n $	0.02-0.04c pm	0.36	0.07-0.09c pm	0.35
Guilder	0.81-0.76c pm	3.93	2.20-2.16c pm	3.92
D-Mark	8.5-7.5c pm	2.70	25-23c pm	2.91
Lira	0.92-0.87pf pm	4.70	2.76-2.71pf pm	5.15
French Fr	2.25-2.55lire dis	−3.38	6.90-7.65lire dis	−3.54
Swedish Kr	0.75-0.90c dis	−1.15	1.65-1.85c dis	−0.95
Yen	1.03-0.93y pm	5.06	2.90-2.75y pm	5.30
Swiss Fr	1.13-1.08c pm	6.61	3.26-3.21c pm	6.86

THE POUND SPOT

June 30	Bank rate %	Day's spread	Close
U.S. $	7	1.8550-1.8640	1.8595-1.8605
Canadian $	8½	2.0875-2.0930	2.0900-2.0910
Guilder	4	4.14-4.17	4.14½-4.15½
Belgian Fr.	5½	60.70-60.90	60.70-60.80
Danish Kr.	9	10.48½-10.51	10.48½-10.48½
D-Mark	3	3.84½-3.87½	3.85-3.86
Port. Esc.	13	84.60-85.25	84.85-85.15
Span. Pes.	8	146.40-146.85	146.50-146.60
Lira	11½	1,585-1,591	1,588-1,589
Nrwgn. Kr.	7	10.05-10.06½	10.05-10.06
French Fr.	9½	8.35-8.41	8.36½-8.37½
Swedish Kr.	7	8.47½-8.52½	8.50½-8.51½
Yen	3½	375-385	378-380
Austria Sch	4½	27.70-28.85	27.75-27.85
Swiss Fr.	1	3.45-3.46½	3.45½-3.44½

Belgian rate is for convertible francs. Financial francs 61.10-61.30.

FORWARD AGAINST £

	One month	% p.a.	Three months	% p.a.
U.S. $	0.55-0.4 c.pm	3.22	1.38-1.28c.pm	2.86
Canadian $	0.85-0.75c.pm	4.59	1.86-1.75c.pm	3.44
Guilder	3 2 c.pm	7.25	7⅜-6⅝ c.pm	6.39
Belgian Fr.	30-20 c. pm	4.94	90-80 c. pm	5.60
Danish Kr.	2½-4½ ore dis	−5.72	7-9 ore dis	−3.06
D-Mark	3-2 pf pm	7.79	8⅜-7⅜ pf pm	7.91
Port. Esc.	35-135 c. dis	−12.01	125-475 c. dis	−14.13
Span. Pes.	par 100 c. dis	−4.08	50-175 c.dis	−3.07
Lira	par-2 lire dis	−0.75	1-4 lire dis	−0.55
Nrwgn. Kr.	4 ore pm-1½ dis	0.60	1½-3½ ore dis	−0.89
French Fr.	1½-½ c. pm	1.08	3½-2½ c. pm	1.31
Swedish Kr.	1½ ore pm-½ dis	0.70	3½-1½ ore pm	1.08
Yen	2.95-2.70y.pm	8.94	8.75-8.25 y pm	8.44
Austria Sch	17-7 gro pm	5.18	42-32 gro pm	5.32
Swiss Fr.	3½-2½ c pm	9.69	8½-7½ c.pm	8.74

Six-month forward dollar 2.70-2.60c pm, 12-month 5.20-5.10c pm.

OTHER MARKETS

	£	$		£ Notes Rate
Argentina Peso	1,466-1,470	788.17-790.32	Austria	28 29
Australia Dollar	1.6138-1.6299	0.8677-0.8763	Belgium	60-61½
Finland Markka	7.87-7.88½	4.2495-4.2515	Denmark	10.30-10.45
Brazil Cruzeiro	32.90-33.90	17.70-18.22	France	8.35-8.50
Greece Drachma	67.678-69.350	36.40-37.28	Germany	3.80-3.90
Hong Kong Dollar	8.63¼-8.66¼	4.6460-4.6480	Italy	1560-1590
Iran Rial	126-132	67.74-70.97	Japan	380-390
Kuwait Dinar (KD)	0.502-0.512	0.2700-0.2753	Netherland	4.05-4.15
Luxembourg Franc	60.70-60.80	32.60-32.62	Norway	9.85-10.00
Malaysia Dollar	4.3960-4.4100	2.3650-2.3660	Portugal	80-84
New Zealand Dollar	1.7976-1.8136	0.9660-0.9746	Spain	1.43-1.46
Saudi Arabia Riyal	6.33-6.43	3.40-3.46	Switzerland	3.40-3.50
Singapore Dollar	4.3100-4.3230	2.3190-2.3200	United States	1.84-1.86
South African Rand	1.6089-1.6258	0.8650-0.8740	Yugoslavia	34-36

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

June 30	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.860	3.855	379.0	8.368	3.440	4.160	1589.	2.091	60.75
U.S. Dollar	0.538	1.	2.073	203.8	4.499	1.849	2.231	854.0	1.124	32.66
Deutsche Mark	0.259	0.482	1.	98.31	2.171	0.892	1.077	412.1	0.542	15.76
Japanese Yen 1,000	2.639	4.908	10.17	1000.	22.08	9.077	10.95	4191.	5.516	160.3
French Franc 10	1.195	2.223	4.607	452.9	10.	4.111	4.960	1898.	2.498	72.60
Swiss Franc	0.291	0.541	1.121	110.2	2.432	1.	1.206	461.8	0.608	17.66
Dutch Guilder	0.241	0.448	0.929	91.33	2.016	0.829	1.	382.8	0.504	14.64
Italian Lira 1,000	0.630	1.171	2.427	238.6	5.268	2.166	2.613	1000.	1.316	38.24
Canadian Dollar	0.478	0.890	1.844	181.3	4.003	1.646	1.985	759.9	1.	29.06
Belgian Franc 100	1.646	3.062	6.346	623.9	13.77	5.663	6.831	2615.	3.441	100.

MONEY RATES

NEW YORK

Prime Rate	9
Fed Funds	7.875
Treasury Bills (13-week)	6.99
Treasury Bills (26-week)	7.48

GERMANY

Discount Rate	3
Overnight	3.6
One month	3.65
Three months	3.75
Six months	3.8

FRANCE

Discount Rate	9.5
Overnight	7.875
One month	7.875
Three months	8.125
Six months	8.5625

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.50
Bills Discount Rate	4.875

LONDON MONEY RATES

June 30 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ɸ	Eligible Bank Bills ɸ	Fine Trade Bills ɸ
Overnight	—	9¼-11½	—	—	—	10⅛	8½-10	—	—	—
2 days notice	—	—	9¾-9⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	10¼	—	—	—	—
7 days notice	—	9½-10	9¾-10	—	10	—	9⅝-9⅝	—	—	—
One month	9½-9⅜	9⅞-10⅛	9⅞-10	10⅜-10	10¼	10¼	9½-9⅝	9⅛-9¼	9¾-9½	10½
Two months	10-9⅞	9⅞-10⅛	—	9⅝-9¼	10⅜	—	9½	9¼	9⅛	10½
Three months	10⅛-9⅞	10-10⅛	9⅞-10	9⅝-9¼	10⅜	10½	9⅝-9½	9⅛-9⅜	9⅞	10⅝
Six months	10⅜-10⅛	10¼-10½	10-10¼	9⅞-9¾	10½	—	—	—	10	10¾
Nine months	10⅝-10⅜	10⅜-10⅝	—	10-9⅝	10⅝	—	—	—	—	—
One year	10⅝-10⅜	10⅝-10⅝	10¼-10½	10⅜-10	10⅝	—	—	—	—	—
Two years	—	—	10⅝-11	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Longer-term local authority mortgage rate nominally three years 11⅛-11⅜ per cent; four years 12-12⅛ per cent; five years 12⅛-12⅜ per cent. ɸ Bank bill rates in table are buying rate for prime paper. Buying rates for four-month bank bills 9⅞ per cent; four-month trade bills 10½ per cent.

Approximate selling rates for one-month Treasury bills 9⅟₁₆-9⅛ per cent; two-month 9⅛ per cent; and three-month 9³⁄₁₆-9⁷⁄₃₂ per cent. Approximate selling rate for one-month bank bills 9⅜-9¹¹⁄₁₆ per cent; and two-month 9¹¹⁄₁₆ per cent; and three-month 9⅝ per cent. One-month trade bills 10⅛ per cent; two-month 10⅜ per cent; and also three months 10⅝ per cent.

Finance House Base Rates (published by the Finance Houses Association) 10 per cent from July 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6¾-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 9.2726 per cent.

MINING NOTEBOOK

Gold mines' recruiting drive pays off

BY LODESTAR

I HEAR from Johannesburg that the South African gold mines' black labour shortage which has been hitting production from time to time over the past two years is well and truly over.

Moreover, just over half a total force of 421,000 is now provided from within the country, following a sustained recruiting drive that has more than doubled the numbers over the last 3½ years. In present economic conditions it is considered that the home labour force could be boosted still further.

But it is not thought wise to push this too far. For one thing migrants from other countries form the down-under environmental brigade which has not done the many having worked on the mines previously, whereas many local men are newcomers to the industry. There is naturally a tendency to select those with previous experience when recruiting in outside areas.

South Africa pulls out of its economic recession, leading, say, to an expansion in the building industry, many local workers would be only too eager to forsake the tougher conditions of underground mining.

So the gold mines are content to diversify their labour and stick by their traditional sources of workers, among which Lesotho tops the list, with some 23 per cent of the overall total. Next comes Mozambique with 8 per cent, followed by Botswana, Malawi, now back on the labour supply list, and Rhodesia. Smaller numbers come from Swaziland and Namibia plus a few from Angola.

Chamber of Mines president, Mr. L. W. P. van den Bosch, pointed out last week that the industry is endeavouring to encourage the migratory worker to return regularly to the job for which he has been trained and so adopt mining as his full-time employment. Some success has already been achieved, leading to a greater degree of stability in the labour force.

Of course, as Mr. van den Bosch stressed, static or declining productivity in recent years has been one of the industry's bugbears in trying to contain soaring costs, a problem that has been aggravated by the 11-shift fortnight and would be more so if the five-day week came along. There is also the continuing white opposition to the advancement of black workers in the mines.

Fullest use of the total manpower potential is something the industry must primarily aim for, and must in due course achieve if continued cost escalation is not to whittle away the benefits of a climbing gold price.

What has happened to the mid-year dividends of Vaal Reefs and Western Deep, I am asked. Under a new timing policy for the Anglo American group declarations they will be coming along on July 20, together with the group's June quarterly reports.

The Western Deep interim could be 20 cents higher than a year ago at a minimum 55 cents (34p). Last December's 1977 final was 47.5 cents. What Vaal Reefs may pay is very much a matter of guesswork in a situation complicated by continued heavy capital expenditure. Estimates thus range from 70 to 90 cents (43.3p to 55.6p). Last year the interim was 55 cents followed by a final of 60 cents.

I would not be too optimistic about the July payment. Vaal Reefs is still a share about which the long view should be taken for the translation of its undoubted gold-uranium earning power into the full dividend potential.

Pancontinental

July is with us, and as every day passes the remaining dry season in Australia's Northern Territory gets shorter and shorter. Yet the country's potential uranium producers still await a Government go-ahead to take their mines to production. Meanwhile, Pancontinental has run into another broadside from the down-under environmental brigade which has not done the market in the shares any good. They have come back to £12⅛ from their recent high of £14¾ and from £13¼ since the message here that a switch from Randfontein could be better timed at the buying end. The vexed question of Aboriginal royalties has also yet to be settled.

Even the share market glow cast by London brokers James Capel; who have become very enthusiastic about Pancontinental recently, has been dimmed. But they are not entirely dismayed. Here is their current verdict.

"At the risk of ending up with yellowcake all over our faces we still predict that the current difficulties will be resolved by the end of this year and that shareholders who have displayed both courage and patience will be rewarded. It is hard to say so but we think clients should use the current weakness to average."

No doubt Pancontinental's chairman Mr. Tony Grey will be disseminating his usual glow of optimism when he arrives here for the annual Uranium Institute symposium next week.

Diamond seekers

One of the diamond seekers in Australia is that survivor from the nickel boom days Bamboo Creek Gold the shares of which are now quoted in our list of Australian prices. It is one of the participants in the search that has been started by the Nullagine area of Western Australia's Pilbara district, where Selection Trust is also at work, as reported here on April 10.

Bamboo Creek is now proposing a three for two non-renounceable rights issue of 50 cent shares at 25 cents to raise $1.37m (£0.85m). The issue price compares with Friday's close in Sydney of only 22 cents. So the offer hardly looks attractive at the moment.

It is hoped that it will become rather more so after the necessary extra-ordinary meeting this month, when it is hoped that the company will be able to pull something out of the bag to encourage shareholders to put up the new funds for what is described as a "vigorous re-activation" of its exploration programme.

If it takes the form of favourable news about the Nullagine diamond prospects then it will be of interest to a wider circle of investors—including those in Selection Trust.

* *

Poor old Silver Valley! Yet again a life-saving deal has fallen through. The Bridge Oil offer to the receiver for the shares reported here last Monday has been withdrawn. No reason has been given.

INSURANCE

But whose agent is the broker?

BY OUR INSURANCE CORRESPONDENT

SUPPOSE AS a motorist you have been insured with a particular company for a number of years and that all the time you have arranged this insurance through one firm of insurance brokers. The time comes when you decide to get a new car, a slightly sporty model in contrast to your rather staid small family saloon.

You phone your broker, give him details and ask for the cover of your policy, which has of your son who is learning to drive, transferred to your new car. The brokers says, "That will be all right—we will see to that," and so you ring off satisfied.

Later that week, your son has an accident with your new car and the day afterwards, before you can notify the accident, you get a letter from your broker saying that insurers will provide cover in respect of the new car for yourself only and not for any other driver. Are you and your son covered, or was your son driving uninsured?

The question you may think suitable for an examination paper in motor insurance, and likely to sort out the candidates. In fact just such a question had to be considered by the Court of Appeal recently and the judicial answer was provided on June 21 in the case of Stockton v Mason.

Mason Senior had insured his Ford Anglia for some while with Vehicle and General through brokers, Arthur Edwards (Insurance). On April 8, 1968, Mrs. Mason phone the brokers and asked for the substitution of an MG Midget, getting an assurance from the brokers in the words I have quoted.

On April 17 the brokers wrote to Mason Senior restricting the driving of the MG to himself but before that letter was received on April 18, Mason Junior while driving the MG had had an accident in which his passenger, Stockton, sustained severe personal injury.

Stockton sued Mason Junior and in due course V and G (by then in liquidation), and the brokers were joined as third parties to the action.

The judge, Arnold J, awarded damages of £46,000 against Mason Junior and held that the Brokers were responsible for meeting the bill.

This was because the statement made to Mrs. Mason amounted to nothing more than an undertaking that they would negotiate with insurers on the Masons' behalf, not that they were as agents of insurers accepting responsibility for them for continuation of cover on pre-existing terms.

Extracts

Before the judge and again in the Court of Appeal the issue was whether or not the conversation and the particular words constituted an interim or temporary contract of insurance for the MG on the same terms as had applied to the Anglia.

The Brokers held insurers' cover note books and had authority as insurers' agents to enter into temporary contracts, binding insurers for periods of 30 days at a time.

It was this aspect that weighed most heavily with all three judges in the Court of Appeal. I have only extracts from Lord Diplock's judgment so far and he is reported to have said: "There must be thousands of cases every day where persons wishing to be insured or to transfer an insurance ring up brokers and ask for cover for fresh cover or transfer of cover.

"In every case, they rely upon the Broker's statement that they will be covered as constituting a contract and they speak to the Broker as the agent of insurers, not as the agent of the persons wishing to have insurance."

The problem is always how to resolve what might be called the demarcation line between two cardinal conflicting principles: first, that in the placing of insurance the broker is taken to be the agent of the proposer or policyholder (so that for example the proposer is prejudiced by the broker's non-disclosure on his behalf);

Second, that in the provision of cover, where the broker has positive authority from insurers, and a cover note book, he is taken to be the agent of insurers.

Presumably, insurers and brokers must expect that the Department of Trade and others are now on the way to proposing changes in the bone of clarifying the broker's position, from the customer's point of view.

BIDS AND DEALS

Customagic seeks Panel ruling on 'special treatment'

THE BOARD of Customagic, and its advisers Grindlay Brandts, are seeking a ruling from the Takeover Panel as to whether the offer for the company by Mooloya Investments breaches a fundamental principle of the City Code—that all shareholders are treated equally.

Shareholders were told of the move over the weekend in a powerful document containing the reasons why Sir Cecil Burney, the chairman, and the independent directors, are rejecting Mooloya's offer.

Sir Cecil reminds shareholders that the Panel has already made the unusual move of directing Mooloya to disclose further information of material contracts it had entered into with certain Customagic directors, under which they would receive fees from Mooloya if the offer for Customagic is successful.

The implication is that Sir Cecil and Grindlays believe these contracts amount to special treatment of selected shareholders.

They are also rejecting the offer on the grounds that Mooloya is attempting to buy a company six times its size at a price (20p), not only below what it was prepared to pay in the market last January (24½p) but also 37 per cent under net asset value.

The effect of merging with Mooloya, says Sir Cecil, would be a company with net tangible assets of £882,000, compared with £1.7m for Customagic at present, and with borrowings amounting to 218 per cent of net tangible assets, whereas Customagic's borrowings are only 52 per cent.

Sir Cecil also points out that Mooloya has not paid an Ordinary dividend for the past five years and that its profits in the past three years have been insufficient to cover its preference dividend obligations.

"It is therefore clear that the ability of Mooloya to meet the interest in respect of the loan stock, amounting to £123,000 per annum, would depend on the income of your company, particularly the £131,250 per annum rent from the lease of Customagic House to Gallahers," the document states.

The directors also claim that Mooloya's loan stock has a market value of only £85 per cent on an independent valuation, compared with the par value suggested by Mooloya's advisers, Schaverien and Co. Customagic notes that Mr. B. Hersh and Mr. I. A. Phillips, respectively a partner and a consultant with Schaverien, are also significant shareholders in Mooloya.

On Customagic's valuation of the loan stock the offer price for Customagic's shares drops to 17p on the basis of a 69p per share value for Mooloya's shares.

CARDING GROUP

Unigate's offer for the 66.1 per cent of the Carding Group not owned by Worldcourt, has gone unconditional now that Unigate has won acceptances from 92.5 per cent of the non-Worldcourt shares.

Complete control by Unigate of Carding now rests on Unigate satisfying itself that certain warranties of Worldcourt's financial affairs are accurate and on clearance from the Office of Fair Trading.

While Unigate continues its investigation into Worldcourt the offer for its 33.1 per cent stake remains open until July 7.

HENSHALL STILL SUPPORTS PETFORD

Bovbourne, one of the two companies bidding for W. Henshall and Sons (Addlestone), is seeking to consolidate the control it already has (50.8 per cent of the shares). It has called an extraordinary meeting of Henshall with the aim of ensuring the Bovbourne's representatives constitute a majority on the board.

Despite the fact that the Takeover Panel has now firmly ruled that Henshall cannot dilute Bovbourne's stake, the Henshall board is still holding out. While the higher bid by Petford is still outstanding, the board is continuing to support that one and urges shareholders not to give Bovbourne their proxy votes at the extraordinary meeting on August 22.

DUNLOP BUYS

Dunlop Holdings has agreed to acquire the capital of Singlehurst Holdings, of Sheffield, for £580,000 to be satisfied by the allotment of 773,334 ordinary shares.

This acquisition will strengthen Dunlop in the growing field of manufacture and supply of hydraulic assemblies and equipment.

BAYFINE

Bayfine, the investment holding company which controls Highgate Optical and Industrial Company through its Dutch subsidiary, Content Beeheer BV, has purchased the capital of H. R. P. Reynolds Holdings for around £1m, payable in cash and shares.

H. R. P. Reynolds is involved in aluminium pressure die casting. Its products go chiefly to the domestic appliance, carburettor and gas/hydraulic industries.

Reynolds' profits for the year ended June 30, 1977 were £173,000 and in excess of £300,000 is forecast for 1977-78.

WARD TERMS SETTLED

Thomas W. Ward has now reached agreement with British Steel Corporation on compensation terms for the sale of the Grantham and Netherton steel stockholding activities of John Lee and Son (Grantham).

Total consideration for properties and shares, after deducting dividends paid to Thos. W. Ward and net debtors collected by John Lee of Grantham, amounting to £2.4m in cash, has been paid.

THORN ELECTRICAL ACQUISITION

Thorn Electrical Industries has acquired a 75 per cent holding in Supertap-Ferramentas de Precisao, manufacturer of engineers' cutting tools with a factory in Sao Paulo.

The company will be renamed Clarkson SA Ferramentas de Precisao. The cost of the acquisition together with an agreed programme of expansion will result in an investment of $2.4m.

WIMPEY PROPERTY

The offer by Wimpey Property Holdings Ltd. to acquire South Coast Land Society has been accepted by the holders of 11,819 shares, representing 99.2 per cent of the capital. The offer has been declared unconditional.

WARD WHITE

Ward White Group has purchased the reversions to the freeholds of 20 shop premises, 18 of which are leased to a subsidiary. The consideration of £200,000 was satisfied by the issue of 276,124 ordinary shares which have been placed on behalf of the vendors.

Norcros keeping up with changes

THE FUTURE strategy at Norcros includes a great deal of thought and effort being concentrated on widening the proprietary nature of its products, Mr. John Sheffield, the chairman, says in his annual statement.

This extends, he adds, to the group's expertise in developing new products and the techniques by which the current range of products is made. There is a greater awareness throughout the group of the need to keep abreast of technological change, he says, and the appropriate supporting investment is budgeted and any acquisitions will be related to this strategy.

As reported on June 26 pre-tax profits for the March 31 1978 year rose from £12.09m to a record £14.51m on turnover ahead from £173.98m to £186.34m. And the dividend is increased to 4.42p (3.96p) per share.

Mr. Sheffield says the past year has again been one when the majority of companies improved their performance. Without exception the printing companies all met their targets, he says, and virtually all of the construction activities did also. He says that a feature of the success, in construction, is the commitment by all the companies to increasing exports and, in relative terms, the achievements of Radiant Superjet and Windley Brothers are outstanding.

In engineering, Adamson Butterley and Lion Foundry have maintained a satisfactory level of profitability, Mr. Sheffield adds, despite the depressed state of their traditional markets.

Overseas the group made much progress, both with the performance of existing companies and in establishing new companies. Crittall Hope Nigeria achieved record sales and profits and continues to be a significant contributor to the Nigerian Five Plan for its construction industry.

In the Far East, Norcros has brought Crittall (Singapore) and Norcrete into operation, the chairman says, and the group is currently negotiating for further expansion in this region.

Bulk Carriers, of Can… enjoyed a dramatic improvem… of fortune, he says, by register… the best sales and profit figu… for the last four years, and … improvement continues.

Mr. Sheffield states that a sig… ficant addition to the group … the acquisition of a 66¼ per c… equity participation in engin… Société Industrielle des Etabli… ssements Voyer S.A. of Tou… France.

Meeting, Connaught Roo… WC, July 24 at noon.

RTZ's £15m Spanish deal

Rio Tinto-Zinc is to subscr… approximately Pts 2.2bn (£1… to increase its stake in Rio Ti… Minera (formerly Rio Ti… Patino) in order to facilitate … Spanish company's copper ext… sion. Production is to be rai… by 20,000 tons to about 50,000 t… of copper in concentrates, … additional concentrates will … smelted and refined at the R… Huelva plant.

Union Explosivos Rio Ti… which holds 75 per cent of R… has agreed with RTZ that F… should be the prime vehicle … the development of their min… businesses in Spain. To this … Union Explosivos transferred … assets at Riotinto to RTM … additional equity in that comp…

NSS NEWSAGENT

NSS Newsagent has acqu… the record distributor, Wynd… Records of Manchester, which … annual sales running at £1m, t… supplying records, tapes and … settes to over 600 retail out… countrywide.

As a subsidiary of NSS, W… Up is expected to contribute … tax profits of £130,000 in the … full year.

Consideration for Wynd Up … £800,000 made up of 200… ordinary shares and 200,000 8 … cent cumulative preference sha… Net assets at March 31, 1978, w… £125,758.

If you think you know all you need to know* about the business you're in, you can forget about this ad.

The commercial standing of your customers and suppliers	YES/NO
How and what your competitors are doing and planning	YES/NO
How your performance compares with the competition	YES/NO
All your options for investment planning or management	YES/NO
Your opportunities for growth by acquisition or merger	YES/NO
The new markets you could be in, here or abroad	YES/NO

*Just some of the things you have to know

If you can put your hand on your heart and say "My business information systems are as good as they'll ever be," we'd be among the first to congratulate you.

We'd also be surprised.

For, increasingly, it's difficult to get hold of the complex mass of information you have to have, to be able to make the key decisions affecting your business.

Look again at our checklist, and you'll see what we mean. And that's only the start of the things you have to know.

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Fast, accurate data

Our systems give you accurate information—fast.

Through procedures we've developed ourselves, and in conjunction with American partners, you can have up-to-the-minute financial information on the 3,000-odd publicly quoted companies in Britain, and the 11,000-odd companies registered with the US Securities and Exchange Commission.

You can get this information within twenty-four hours of lodging your enquiry.

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Anyone wanting to do business in or with America has to know what they're talking about.

The exclusive contract we've recently signed with DISCLOSURE Incorporated gives you immediate access to financial information covering the whole spectrum of American business and industry. From California apple growing to Minnesota mining.

10-K: the insight source

10-K is the official annual business and financial report which must be filed by every company registered with the US Securities and Exchange Commission. That means every company quoted on the New York Stock Exchange, American Stock Exchange or Over the Counter Market.

10-Ks are exhaustively comprehensive.

They contain far more information than you'd get from any American company's regular Annual Report to stockholders.

They cover everything from a company's operations, their properties, the number of their equity security holders, current legal proceedings, sales and income, to the names, salaries and specific responsibilities of every one of the directors, and the three highest paid officers.

Likewise, every non-American company registered with the SEC has to file similarly detailed reports containing far more information than any home-produced documents.

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Microfiche is no revolutionary process. But we've employed it to great advantage.

For example, the wealth of information contained in any SEC report can be put, page by page, onto a microfiche, each page no bigger than a postage stamp.

It's the secret of our 24-hour service, and a magnificent saver of space. An entire microfiche storage system need take up no more room than half the space eaten up by a desk.

Alternatively, the information you need can be supplied as hard copy.

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If you're not absolutely sure how to go about it, gathering British business information can be as time-consuming and costly as understanding America's industries.

Our exclusive MIRAC service is the answer: a microfiched or hard copy 'who's who' and 'what's what' of all the 3,000 UK publicly quoted companies, reproduced from their annual reports.

It's constantly up-dated. And more, it goes back to 1968. Which is invaluable to anyone with an enquiry about a company's past performance.

With every company categorised industry-by-industry against the Financial Times daily Stock Exchange listing, MIRAC takes the time and tedium out of information retrieval.

Companies' House on your doorstep

You may want to know something about one or more of the UK's limited companies beyond the 3,000 covered by MIRAC.

We can help.

Through a direct link with Companies' House, we provide an immediate information service on any of the limited liability companies registered in the UK.

Again, this service gives you microfiched or hard copy reports.

60,000 companies on file

Detailed though they may be, companies' annual reports may not tell you all you need to know.

To supplement our MIRAC, DISCLOSURE and Companies' House service we keep comprehensive files on more than 60,000 United Kingdom and foreign companies, a third of them overseas concerns.

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What it costs

Initially, the minimum subscription to the entire company information service is £150.

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Complete and return this corner of the page, and we'll send you a free microfiched report on the US or UK company of your choice, covered by our DISCLOSURE or MIRAC service, without obligation. You can choose any one of 14,000-odd organisations.

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To: Beverley Pullen, The Business Information Service of the Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY.

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NAME ______ (PLEASE USE BLOCK CAPS)

POSITION ______

COMPANY ______

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THE BUSINESS INFORMATION SERVICE OF THE FINANCIAL TIMES LIMITED

Bracken House, 10 Cannon Street, London EC4P 4BY   Telephone: 01-248 8000   Registered in London, no. 227590

This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to Hunting Petroleum Services Limited ('the Company'). Save where otherwise appears these particulars have been prepared on the basis that the acquisitions by the Company described below have been completed. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration.

Hunting Petroleum Services Limited

Offer for Sale by Robert Fleming & Co. Limited

of 2,700,000 Ordinary Shares of 25p each at 85p per share

payable in full on application

The Ordinary Shares now offered for sale rank in full for all dividends hereafter declared or paid on the Ordinary Shares of the Company.

The Application List for the Ordinary Shares now offered for sale will open at 10.00 am on Thursday 6th July 1978 and will close at such later time on the same day as Robert Fleming & Co. Limited may determine.

Directors and other parties

Directors
Lindsay Clive Hunting, MA (*Chairman*)
Fugelmere Grange, Fulmer, Buckinghamshire
Geoffrey Percival Dollimore, CBE
Popinjays, 18 Box Lane, Boxmoor, Hertfordshire
Richard Haigh Hunting,
Westby Lodge, 90 Old Woking Road, West Byfleet, Weybridge, Surrey
Kenneth William Miller, FCA
Doonleigh, 32 Oakfield Road, Ashtead, Surrey
Roy Ernest Treacher, FCA
23 Hartley Old Road, Purley, Surrey

Secretary and Registered Office
Dennis Leslie Clark, FCCA
Avenfield House, 118-127 Park Lane, London W1Y 4HN

Bankers
Lloyds Bank Limited
39 Piccadilly, London W1V 0AA

Receiving Bankers
Lloyds Bank Limited
Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU

Brokers
de Zoete & Bevan
25 Finsbury Circus, London EC2M 7EE
and The Stock Exchange

Auditors and Reporting Accountants
Price Waterhouse & Co, Chartered Accountants
Southwark Towers, 32 London Bridge Street, London SE1 9SY

Reporting Petroleum Consultants
DeGolyer and MacNaughton
One Energy Square, Dallas, Texas 75206, USA

Solicitors to the Company
McKenna & Co
Inveresk House, 1 Aldwych, London WC2R 0HG

Solicitors to the Offer
Linklaters & Paines
Barrington House, 59-67 Gresham Street, London EC2V 7JA

Registrars and Transfer Office
Lloyds Bank Limited
Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA

Background to the issue

The Company was incorporated on 1st June 1978 to acquire and act as the holding company for various oil and gas related interests of two listed companies, Hunting Associated Industries Limited ('HAIL') and Hunting Gibson Limited ('Gibson'), and of a private company, Hunting Holdings Limited ('HH').

Since their formation HAIL, Gibson and HH have been closely connected through common control and administration, each of them being controlled by members of the Hunting family and their associated interests.

Apart from the various oil and gas related interests, the activities of the two listed companies are aviation support, engineering and resource surveys in the case of HAIL and shipowning, shipbroking and industrial painting in the case of Gibson. HH is an investment holding company.

One business area common to HAIL, Gibson and HH has been an involvement in various activities within the oil industry. These activities have reached a stage in their development where there is considerable advantage in bringing them under common ownership, thereby providing a more appropriate base from which to expand the present operations and to take better advantage of investment opportunities within the industry. To this end the Company has conditionally agreed to acquire the relevant subsidiaries of HAIL, Gibson and HH in consideration of the issue of a total of 7,875,000 Ordinary Shares and 1,250,000 Deferred Shares in the Company, credited as fully paid. Brief details of the principal trading companies being acquired are as follows:

From HAIL:

Hunting Oilfield Services Limited ('HOSL') which, with its subsidiaries and an associated company, has provided a service to the offshore oil and gas industry for the past 10 years. These companies currently operate from Aberdeen, Great Yarmouth, Holland, the Netherlands Antilles and Abu Dhabi and their services comprise the following:

Turbodrilling
Directional drilling
Oilfield equipment manufacture and repair
Diving equipment
Fabrication (mainly helicopter refuelling systems)
Engineering.

From Gibson:

Gibson Petroleum Company Limited ('Gibson Petroleum') of Alberta, Canada, the activities of which comprise the following:

Crude oil marketing
Pipelines
Terminals
Trucking;

Alene Oil Company ('Alene') which owns oil and gas properties in the USA;

Frétoil Société Nouvelle Pétrole et Affrètements S.A. ('Fretoil') which is based in France and is principally engaged in international oil broking; and

Fuel-Fast Limited ('Fuel-Fast') which acts as a distributor of heating oil in the Midlands and south of England.

From HH:

Brazos Young Corporation ('Bycor') which is involved in exploration for and development of oil and gas reserves in the USA.

Of the 2,700,000 Ordinary Shares now being offered for sale, 1,000,000 are being sold by Gibson and 1,700,000 are new shares. Immediately following the Offer for Sale the interests in the share capital of the Company will be as follows:

	Number of shares of 25p each			
	Ordinary	*Deferred*	*Total*	*Per Cent*
HAIL	2,625,000	—	2,625,000	24.3
Gibson	2,500,000	750,000	3,250,000	30.0
HH	1,750,000	500,000	2,250,000	20.8
Others	2,700,000	—	2,700,000	24.9
	9,575,000	1,250,000	10,825,000	100.0

HAIL, Gibson and HH regard their holdings in the share capital of the Company as set out above as long term investments and in any event will not be disposing of any part of such holdings within 12 months.

Share capital and indebtedness

Share capital

Authorised		*Issued and now being issued, fully paid*
£		£
3,000,000	in 12,000,000 Ordinary Shares of 25p each	2,393,750
312,500	in 1,250,000 Deferred Shares of 25p each	312,500
3,312,500		2,706,250

The Ordinary Shares and the Deferred Shares rank *pari passu* in all respects, save that the Deferred Shares do not entitle the holders thereof to participate in any dividend or other distribution declared, made or paid in respect of any financial period of the Company commencing prior to 1st January 1983.

Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary Share capital of the Company to be admitted to the Official List.

Indebtedness

At 19th May 1978, the companies which are now subsidiaries of the Company had outstanding bank indebtedness of £2,969,041, of which £2,695,273 was secured, other secured loans of £311,018, other secured indebtedness of £750,000, other unsecured borrowings of £110,680 and hire purchase commitments amounting to £305,061. Guarantees given by such companies and outstanding at 19th May 1978 (other than guarantees which will be released upon the issued Ordinary Share capital of the Company being admitted to the Official List) amounted to £737,069 and the Company has agreed (upon such issued Ordinary Share capital being so admitted) to assume liability in respect of guarantees totalling £1,019,926 at 19th May 1978, given on behalf of subsidiaries by a subsidiary of HAIL and by Gibson, of which £358,359 is included above under other secured indebtedness. Amounts in foreign currencies have been translated into sterling at the rates of exchange ruling at 19th May 1978.

Save for the foregoing and for intra-group transactions, neither the Company nor any of its subsidiaries had outstanding at 19th May 1978 any borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

Chairman's letter

The following is a copy of a letter to Robert Fleming & Co. Limited from Mr L. C. Hunting, the Chairman of the Company:

The Directors
Robert Fleming & Co. Limited

Avenfield House
118-127 Park Lane
London W1Y 4HN
30th June 1978

Gentlemen,

In connection with the Offer for Sale of Ordinary Shares in Hunting Petroleum Services Limited ('the Company'), I have pleasure in providing you with the following information in relation to the Company and its subsidiaries ('the Group').

History and business

The Group's business is as follows:

1. Drilling and other oilfield services in the United Kingdom and elsewhere,
2. Crude oil marketing, storage and distribution in Canada,
3. Oil and gas exploration and development in North America,
4. Oil broking and other activities in France, and
5. Heating oil distribution in the United Kingdom.

Each of these activities is described below.

1 Drilling and other oilfield services

Hunting Oilfield Services Limited ('HOSL') commenced trading in 1967 when the principal business was the provision of machine shop and fabrication services to oil companies operating from the United Kingdom in the southern area of the North Sea. As the volume of business grew, HOSL acquired larger premises in Great Yarmouth and set up sales and workshop facilities in Aberdeen. The proportion of business handled in Aberdeen increased with the shift in the focus of exploration activity to the northern area of the North Sea. In 1976 HOSL transferred its headquarters to Aberdeen where management and design and development support are now concentrated. It is planned that the workshop facilities there and the manufacturing capacity at Great Yarmouth will be extended. HOSL also expanded overseas and established an associated company in Abu Dhabi in 1972 and subsidiary companies in Holland in 1974 and in the Netherlands Antilles in 1975.

HOSL now offers a comprehensive drilling support and service capability, mainly to oil companies drilling offshore. Its present operations are divided into the following main areas.

Turbodrilling

A turbodrill is a hydraulic powered drill used for drilling through certain strata formations.

For a number of years HOSL has been licensed to let on hire in the United Kingdom and Dutch sectors of the North Sea turbodrills manufactured by Alsthom-Atlantique, a leading designer and manufacturer of turbodrills, based in France. HOSL is responsible for the maintenance and overhaul of the equipment and provides trained turbodrilling engineers. At the end of 1977, this licence was renegotiated for a 10 year term for the United Kingdom sector, with an extension of territory to include the Irish and Norwegian sectors. The licence for the Dutch sector was extended for a five year term at the beginning of 1976.

Directional drilling

Directional drilling is a sophisticated system which enables the operator to drill to specific subterranean targets in areas not immediately under the drilling platform.

Following discussions held with Drilling Control Incorporated ('DCI'), a Panama based company with experience of directional drilling off the western coast of South America, agreement was reached to set up a jointly owned company to provide directional drilling services outside the Americas. As a result Hunting Directional Drilling Services N.V. ('HDDS') was incorporated in the Netherlands Antilles in August 1975 with HOSL owning 51 per cent and DCI 49 per cent. Drill-Tech Limited ('Drilltech') was acquired by HOSL in April 1977 in order to expand the North Sea directional drilling capability. HDDS hires additional drillers to Drilltech for North Sea drilling as well as carrying on directional drilling in the Middle East.

The ability to obtain new work and the continuation of current contracts depend significantly on the reputation of the individual drillers. These men are highly paid specialists and therefore trading results will depend on the degree to which their time is utilised. Drilltech and HDDS are working primarily on contracts expected to spread over a number of years, supplemented by short duration work to maximise use of drillers. Currently, directional drilling contracts in the North Sea include work in the Thistle, Buchan and Ninian Fields.

Oilfield equipment manufacture and repair

Extensive repair and service facilities are offered at Aberdeen and Great Yarmouth for a wide range of oilfield equipment and the provision of such facilities has formed an important base for HOSL's business since it commenced trading. The division also manufactures items on a one-off basis to meet customers' specifications.

Diving equipment

To form the basis of a diving equipment division, HOSL acquired in March 1973 a small company which had built up a business in Great Yarmouth in the manufacture, repair and supply of diving equipment. The division manufactures low and high pressure compressors, decompression chambers and special order items to customers' requirements. A limited amount of testing and refurbishing of pressure vessels, cylinders and valves is also carried out.

Fabrication

The fabrication division is based in Aberdeen and, apart from general welding, the major proportion of the division's work currently involves the manufacture and maintenance of helicopter refuelling systems which are supplied to numerous rigs and platforms in the North Sea.

Engineering

This division provides design support to other divisions. Specific development work is also undertaken in close conjunction with customers and a number of projects have led to an extension of HOSL's product range, principally in large diameter tubular joints which are used in drilling work. One such product is the Talon joint, a device for joining well casing together, which was designed and proved by HOSL in 1977. A major production order for the Talon joint has already been received and it is thought that this product is likely to play a significant part in the expansion of HOSL.

Dutch operations

Hunting Oilfield Services B.V. commenced operations in Den Helder in April 1974, to enable HOSL to provide drilling companies in the Dutch sector of the North Sea with turbodrilling, repair and other oilfield services similar to those provided in the United Kingdom sector.

Abu Dhabi operations

HOSL has a 24.5 per cent interest in Abu Dhabi Oilfield Services W.L.L., a joint venture company set up in 1972, which provides oilfield service and repair facilities and acts as a sales agent for a considerable number of manufacturers of oilfield equipment.

2 Crude oil marketing, storage and distribution

The principal trading subsidiary in Canada is Gibson Petroleum Company Limited ('Gibson Petroleum') in which the Group has a 54.9 per cent interest. The other major interest in Gibson Petroleum is owned by Western Crude Oil Inc., a subsidiary of Reserve Oil & Gas Company. The business is concerned with the purchase, transportation and sale of crude oil in Alberta and Saskatchewan. These services are of particular importance to oil companies whose production volume does not warrant the maintenance of their own marketing or transportation departments. The operations are divided into the following four main areas.

Crude oil marketing

The buying and selling of crude oil was the original activity of Gibson Petroleum when its business was established in 1950. Crude oil is purchased, principally at the wellhead, for resale to customers in Canada and therefore the marketing activity is closely linked with the trucking operations described below. Gibson Petroleum is one of the few approved purchasers of crude oil in Alberta not controlled by a major oil producer or refiner. Since 1975, the Alberta Petroleum Marketing Commission has been the sole marketing authority for most crude oil production in the Province by being interposed between the producer and the marketer but to date this has not affected the trading results of Gibson Petroleum.

Pipelines

Gibson Petroleum owns and operates three gathering pipeline systems in Alberta and has a one-third interest in the Wascana pipeline which runs between the USA and Canada.

The most active of the gathering systems is the Bellshill Lake pipeline which comprises some 25 miles of main pipeline and 15 miles of gathering pipeline and ends at the Hardisty terminal owned by Gibson Petroleum. The other systems owned by Gibson Petroleum are the St. Albert and Normandville pipelines.

Gibson Petroleum, Western Crude Oil Inc. and Murphy Oil Company Limited each owns one-third of the shares in both Wascana Pipe Line Limited, a Canadian company, and Wascana Pipe Line Inc., a US company (together called the 'Wascana Companies'). The Wascana Companies were formed to construct and operate a crude oil pipeline 165 miles long from Regina, Saskatchewan, Canada to Poplar, Montana, USA and commenced operations in 1973.

The Wascana Companies operated profitably for two years until the Canadian Government adopted a policy of phasing out exports of crude oil to the USA, with the result that by 1976 there were minimal quantities of oil available to be transported through this pipeline. Since early 1977, however, the flow has been reversed and crude oil is now being transported from Montana, USA in bond through the Wascana and Interprovincial pipelines to Wisconsin, USA for refining. In 1978, as a result of swap arrangements between the US and Canadian Governments, the Wascana pipeline is handling additional US crude oil which is being refined at Regina and this increased activity is expected to return the Wascana Companies to profitability for the current year.

Terminals

Gibson Petroleum owns and operates two storage and injection terminals which are situated at Edmonton and Hardisty, Alberta, adjacent to the trans-continental pipeline, and a number of other smaller tank installations.

The Edmonton terminal, which is connected to the Interprovincial and Trans-Mountain pipelines, includes seven storage tanks, built mainly in the period 1961 to 1963, with a total capacity of 113,000 barrels. Since 1973 the terminal has had facilities for storing and loading liquefied petroleum gas and a new loading rack is under construction.

The Hardisty terminal includes eight storage tanks with a total capacity of 472,000 barrels, and a further two tanks with a combined capacity of 450,000,

Hunting Petroleum Services Limited — *continued*

barrels which were built in 1976 and leased to Pacific Petroleums Limited for a period of 15 years. The terminal is at the end of the Bellshill Lake pipeline and of three pipelines operated by other companies and is also an injection point between Edmonton and Regina into the Interprovincial pipeline.

Trucking

The terminals referred to above are used as bases for the trucking operations of Gibson Petroleum and its wholly owned subsidiary, involving the transportation of oil in Alberta and Saskatchewan from the wellhead to terminals and refineries. These trucking operations provide a service to producers of crude oil in Alberta and Saskatchewan who do not have direct access to a pipeline system. The remoter areas serviced tend to be accessible only in the winter months and, in order to complement this seasonal activity, Gibson Petroleum is engaged in asphalt hauling and spraying during the summer months.

3 Oil and gas exploration and development

USA

Brazos Young Corporation ('Bycor') was incorporated in 1938 for the purpose of exploring for oil and gas reserves and acquiring producing oil and gas properties in the USA. It has no direct employees but has operated since its formation in conjunction with McAlester Fuel Company ('McAlester'), which in January 1977 became a subsidiary of Alaska Interstate Company ('Alaska'), a company listed on the New York Stock Exchange. McAlester's main business is the exploration for and development of oil and gas reserves for which it employs a staff of geologists, engineers and other specialists.

The arrangements between Bycor and McAlester are governed by an annual contract which specifies the maximum sum which Bycor will commit to McAlester's budget for exploration commencing in the ensuing year, such sum to include a fee payable to McAlester of 15 per cent of the amount expended on actual exploration. These arrangements also specify the ratio in which interests acquired are to be apportioned and income and expenses shared; in 1975, 1976 and 1977, the ratio was 1:3, Bycor to McAlester, while for 1978 the ratio is 1:4. Neither McAlester nor Bycor participates in any exploration activity independently of the other except in relation to interests owned by Alaska at the time it acquired McAlester.

Bycor has working interests, i.e. interests requiring a proportionate contribution to costs, in 270 producing oil and gas wells, with the major interests being situated in Louisiana, Texas and Montana. Bycor's share of production from these interests at the end of 1977 was averaging 330 barrels of crude oil and 550 thousand cubic feet ('mcf') of natural gas per day.

The table below sets out the quantities and average selling price of oil and gas derived from its working interests and sold by Bycor over the five year period to 31st December 1977.

	Barrels of crude oil sold	Average crude oil selling price per barrel $	mcf of gas sold	Average gas selling price per mcf $
1973	135,672	3.54	7,243	0.64
1974	169,628	6.81	9,882	0.95
1975	201,388	7.82	11,543	1.38
1976	184,543	7.68	32,567	1.26
1977	132,216	7.57	137,930	1.56

The fall in oil sales in 1976 and 1977 was the result of the normal decline in production over the life of existing wells, occurring mainly in Montana. No important new oil discoveries were made in these years and it is therefore expected that the quantity of crude oil sold will continue to decline until further reserves are discovered. Gas sales have contributed an increasing proportion of Bycor's total income and this trend is likely to continue in 1978 owing to the discovery in 1976 in Louisiana of four new gas wells, two of which commenced production in May 1977 and the other two in December 1977.

In addition to its working interests Bycor has a number of royalty interests, i.e. interests not requiring a contribution to costs, its share of production from which in 1977 totalled 13,000 barrels of oil and 115,000 mcf of gas. Bycor has not acquired any significant additional royalty interests during the last five years and does not envisage doing so in the foreseeable future.

The price of crude oil is strictly controlled by the Federal Energy Regulatory Commission, as is the price of gas sold to out-of-State users, but there is still a free market for gas sold within the State in which it is produced.

Bycor's exploration budget for 1977 was not fully utilised, principally owing to a shortage of drilling rigs. Bycor participated in 16 exploratory wells during the year, three of which are commercially productive. McAlester is expanding its exploration activities and has recently opened offices in Denver, Colorado and Lafayette, Louisiana in which areas the main exploration effort in 1978 is being concentrated. Whilst the shortage of rigs has again proved to be a limiting factor in the early part of the 1978 programme, Bycor expects to contribute approximately $1 million towards exploration during this year, an increase of some $200,000 over 1977.

Alene Oil Company ('Alene') was formed in 1974 to acquire working interests in proven oil and gas reserves in the USA. These interests are situated in Texas, Wyoming and Louisiana and are supervised by McAlester under the terms of an annual management contract. Alene, like Bycor, has no direct employees.

DeGolyer and MacNaughton, independent petroleum consultants, have reviewed the crude oil and gas reserves of both Bycor and Alene as at 31st December 1977 and copies of their report and supplemental report accompany this letter. Their estimate of reserves for Bycor is 618,967 barrels of crude oil and 3,173,200 mcf of gas and for Alene, 110,595 barrels of crude oil and 628,573 mcf of gas.

Canada

For the past two years Gibson Petroleum has participated, as a minority partner, in a limited oil and gas exploration and acquisition programme in Alberta. At 31st December 1977 it had spent Can $356,000 on this venture and proposes to spend a further Can $200,000 during 1978.

4 Oil broking and other activities

The Company owns 99.93 per cent of the issued share capital of the French company Frétoil Société Nouvelle Pétrole et Affrètements S.A. ('Fretoil') whose principal activity is oil broking, which is conducted from its offices in Paris. In addition Fretoil operates as a tanker broker in the French market and also owns 41 rail tank cars from which it receives rental income.

Fretoil through subsidiaries has held a 25.7 per cent interest in Société Européenne de Stockage S.A. ('SES') since that company's incorporation in September 1975. SES completed construction of a storage facility for oil products at Strasbourg in June 1977.

5 Heating oil distribution

Fuel-Fast Limited, which was acquired by Hunting Gibson Limited ('Gibson') in 1975, is involved in the United Kingdom in the distribution and marketing of heating oil, mainly for commercial, agricultural and domestic purposes. It operates from seven depots and is an authorised distributor for Gulf Oil (Great Britain) Limited in the Midlands, for Amoco (U.K.) Limited in the South East and for Conoco Limited in the Bristol area. A subsidiary is engaged in bulk road tank haulage of liquids such as oil products, cooking oils, wine and latex.

Management and staff

The Group is to be organised on a divisional basis under HOSL and two other holding companies with local management continuing to operate with a substantial degree of autonomy. The Directors consider this structure likely to produce maximum enterprise and responsibility. The overall policy and the financial reporting and monitoring of the Group is to be controlled by the Board from the London headquarters of the Hunting Group of Companies where use is to be made of central administrative services. The proportion applicable to the Group of the total cost of these services, including Directors' salaries where appropriate, will be agreed annually. In this context, 'Hunting Group of Companies' means the Company, Gibson, Hunting Associated Industries Limited ('HAIL'), and Hunting Group Limited ('HG'), the parent company of Hunting Holdings Limited ('HH'), and their respective subsidiaries.

Directors

I am aged 52 and have been involved with the Hunting Group of Companies throughout my working life. I am also Chairman of HAIL, Gibson and HG.

G. P. Dollimore, CBE, aged 53, joined the Hunting Group of Companies in 1952 and is a Director of HAIL and Chairman of HOSL.

R. H. Hunting, aged 50, has been involved with the Hunting Group of Companies throughout his working life and is a Director of Gibson and HG. He will be the Chairman of the holding company for the subsidiaries being acquired from Gibson.

K. W. Miller, FCA, aged 39, joined the Hunting Group of Companies in 1961. He is a Director of HOSL and will be the Managing Director of the two other holding companies.

R. E. Treacher, FCA, aged 50, joined the Hunting Group of Companies in 1955 and is Finance Director of the Company, HAIL, Gibson and HG.

Senior management

In addition there are three Associate Directors:

M. R. Kreiss, aged 47, joined the Hunting Group of Companies in 1969 and is President of Fretoil.

R. W. A. Laidlaw, aged 49, joined the Hunting Group of Companies in 1960 and is President of Gibson Petroleum.

D. T. S. Mitchell, aged 38, joined the Hunting Group of Companies in 1967 and is Managing Director of HOSL.

Employees

The Group employs 382 people of whom 255 are employed in the United Kingdom, 70 in Canada, 18 in Holland and 14 in France. Labour relations are excellent.

The Group has not contracted out of the earnings related state pension scheme in the United Kingdom. However, it offers to employees pension benefits in addition to those provided under the state scheme.

In France, employees belong to the state pension scheme and in Canada employees are entitled to join a pension scheme operated by Gibson Petroleum.

Proceeds of issue and working capital

Of the 2,700,000 Ordinary Shares now being offered for sale 1,700,000 are new Ordinary Shares, which will raise approximately £1.2 million of additional finance for the Group, after deducting the expenses of the Offer for Sale to be borne by the Company estimated at £225,000. These funds will be used principally to finance expansion in the United Kingdom in the areas of drilling and other oilfield services and heating oil distribution. Having regard to available bank facilities, the Directors are of the opinion that the Group will have adequate funds to meet its present requirements for working capital.

Profits, prospects and dividends

Set out in the Accountants' Report are details of the profits of the Group for the five years ended 31st December 1977. The following table summarises the salient features of turnover and trading profit:

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Turnover	*60,061*	*94,639*	*109,712*	*121,321*	*124,642*
Crude oil marketing, storage and distribution	58,146	91,215	104,878	111,499	110,323
Drilling and other oilfield services	587	1,239	1,686	3,454	6,069
Oil and gas exploration and development	253	626	1,109	1,292	1,006
Oil broking and other activities	1,075	1,559	1,257	1,098	919
Heating oil distribution	—	—	782	3,978	6,325
Trading profit before interest and share of profits and losses of associated companies	*1,655*	*2,679*	*1,648*	*1,261*	*2,080*
Crude oil marketing, storage and distribution:					
Trading	795	1,315	692	818	1,171
Wascana provision	—	—	—	(585)	96
	795	1,315	692	233	1,267
Drilling and other oilfield services	46	178	49	338	360
Oil and gas exploration and development	74	234	355	480	382
Oil broking and other activities:					
Trading	740	952	525	322	237
Loss on sale and additional depreciation of vessels	—	—	—	(143)	(248)
	740	952	525	179	(11)
Heating oil distribution	—	—	27	31	82
Profit before taxation	*1,726*	*2,928*	*1,689*	*951*	*1,737*
Profit after taxation and minority interests	*632*	*962*	*643*	*331*	*789*

Profit record and prospects

Crude oil marketing, storage and distribution

The results for crude oil marketing, storage and distribution are dependent upon the level of activity in the Canadian petroleum industry. Following the increase in world crude oil prices, the Canadian Government allowed the Canadian price to increase substantially in 1974 resulting in a significant increase in the value of crude oil held by Gibson Petroleum. The price of Canadian crude oil has continued to increase and by the end of 1978 is expected to be close to current world prices. In 1975 and 1976, the Canadian petroleum industry suffered a marked decline in activity as a result of restrictive legislation from both the Federal and Provincial Governments and the Federal policy of phasing out exports of crude oil to the USA. This had an adverse effect on the Group's profitability and required an exceptional provision to be made against Gibson Petroleum's interest in the Wascana Companies. More recently however a more encouraging policy toward the industry by the Federal and Provincial Governments has resulted in improved trading conditions. In 1977 major new discoveries of crude oil were made in the Pembina area of Alberta and the Group, because of the location of the services it provides, should benefit from the increased activity to which these discoveries are likely to lead.

Drilling and other oilfield services

Drilling and other oilfield services have shown satisfactory growth over the period, with the exception of 1975 when a lull in North Sea exploration coincided with the costs of setting up a new workshop facility in Holland. Continued growth of the activities of the directional drilling subsidiaries and the extension of HOSL's product range should ensure that the 1978 results show a substantial improvement over the 1977 level.

Oil and gas exploration and development

The profits from oil and gas exploration and development depend on the success of the exploration programme in which the Group participates. In the period to 1976 new reserves were discovered and higher production and selling prices for both oil and gas resulted in increased profits. However, no important new discoveries were made in 1977, thus resulting in an increased depletion charge which, combined with the normal decline in production from existing wells, resulted in reduced profits in 1977 and is expected to result in a further reduction in 1978.

Oil broking and other activities

The contribution from oil broking should stabilise in 1978 after a downward trend following the exceptional profits earned in late 1973 and 1974 due to increased activity resulting from the substantial rise in the world price of oil. The 1976 results included a loss of £143,000 on the sale of Fretoil's 40 per cent interest in the first of two small bulk carriers; in 1977 a provision of £248,000 was created to reduce the book value of Fretoil's interest in the second bulk carrier to estimated realisable value, at which it has been subsequently sold, subject to the approval of the relevant French marine authority. The investment in the storage facility at Strasbourg is not expected to contribute to profits until 1979.

Heating oil distribution

This division has shown continued expansion since its acquisition in 1975 and this trend should continue in 1978.

Profit forecast

The Directors forecast that in the absence of unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit of the Company before taxation and minority interests for the year ending 31st December 1978 will be approximately £2.4 million. Included in this forecast is an amount of £130,000 resulting from anticipated profits on sales of fixed assets.

The Directors also forecast that the tax charge, based on the above forecast profit before taxation and assuming that there will be no changes in taxation rates or policies in the countries in which the Group operates, will be approximately £1.04 million. This reflects the effective rates of taxation applicable to certain overseas subsidiaries.

Dividends and appropriation of profits

On the basis of the foregoing forecast of profit, it is the Directors' intention to declare an interim dividend on the Ordinary Share capital of the Company for the year ending 31st December 1978 of 1.4p per share, payable in January 1979, and to recommend a final dividend for that year of 3.25p per share, payable in or about July 1979, making a total for the year of 4.65p per share. These dividends, with the related tax credits at the current rate of 34 per cent, would be equivalent to a gross distribution of 7.045p per share. In accordance with their terms of issue no dividend will be payable on the Deferred Shares until 1983.

The following table shows how a profit before taxation of £2.4 million would be appropriated assuming the forecast tax charge of £1.04 million and dividends at the forecast level of 4.65p per share on 9,575,000 issued Ordinary Shares.

	£'000
Profit before taxation	2,400
Less: taxation	1,040
	1,360
Less: interest of minority shareholders	300
Profit attributable to shareholders	1,060
Less: dividends totalling 4.65p per share on Ordinary Shares	445
Profit retained	615

On the above basis the dividend on the Ordinary Shares would be covered 2.38 times by the profit after taxation and minority interests and would, together with the related tax credits at the current rate, represent a gross equivalent dividend yield of 8.29 per cent on the offer price of the Ordinary Shares. At this price, based on the total issued Ordinary and Deferred Share capital, the Ordinary Shares would stand on a fully diluted prospective price earnings multiple of 8.88.

Yours faithfully,

Clive Hunting

Chairman

Petroleum consultants' reports

To: Brazos Young Corporation
and Alene Oil Company
P.O. Box 907
McAlester
Oklahoma

DeGolyer and MacNaughton
One Energy Square
Dallas, Texas 75206
USA

Gentlemen,

Pursuant to your request we have made an appraisal as of December 31, 1977 of the extent and value of the petroleum properties owned by both Brazos Young Corporation, hereinafter referred to as 'Bycor' and by Alene Oil Company, hereinafter referred to as 'Alene'.

Bases of Valuations

Data used in the preparation of this report was obtained from McAlester Fuel Company, Magnolia, Arkansas, which operates or participates in operating some of the properties and also maintains all of the production and financial records; from records filed with the regulatory agencies in the several states; and from our library and files. All data required was made available for our inspection and use. Visits previously have been made by members of our staff to McAlester Fuel Company's offices in Magnolia, Arkansas, and in McAlester, Oklahoma. A field inspection of the properties appraised was not considered necessary for the purposes of this report.

All reserves in this report are considered as proved because of successful testing or actual production and essentially all are developed by existing wells. Recovery above that obtainable as a result of energy inherent in the reservoirs and which results from some form of fluid injection is considered proved only in those reservoirs where such methods are now in normal operation or which have been proved economic by pilot operations or by adequate data preliminary to such recovery operations.

Estimates of reserves were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the study of each reservoir was tempered by experience in the area, consideration of the stage of development of the reservoir, and the quality and completeness of data.

For properties in stages of new production or those from which production rates have remained more or less constant, reserves were estimated primarily by by the volumetric method. In some cases, structural and isopachous maps were prepared for use in estimating reservoir volumes. All pertinent reservoir data, including logs of formation properties, core analyses, drill-stem tests, production tests, reservoir fluid analyses, and bottom-hole pressure and temperature data, were used to prepare these maps as well as to determine the volume of productive reservoir rock and reservoir fluid characteristics.

Recovery from the various reservoirs and leases was estimated after consideration of the type of energy inherent in the reservoirs, the structural position of the properties, and reservoir and well performance. In some instances, comparisons were made with the same reservoir or with similar producing reservoirs in the area on which more complete data was available.

The reserves of depletion-type reservoirs or other reservoirs whose performances disclosed a reliable decline in producing-rate trends or other diagnostic characteristics were estimated by analysis of the production histories of the reservoirs and leases. These estimates were based primarily on extrapolation of production-decline curves and on appropriate consideration of other performance correlations involving reservoir pressures, gas-oil ratios, water production, and other parameters.

In analyzing decline curves, limiting rates of economic production were calculated based on the continuance of current prices for saleable hydrocarbons and current lease operating costs and taxes. Reserves were estimated only to these limits.

All gas volumes are expressed at a temperature of 60 degrees Fahrenheit and at the standard pressure base applicable by state regulation or under existing gas sales contracts. If gas liquids are being recovered in a plant, estimates of reserves include both wet gas and dry residue gas, depending upon the point at which the sale is made as well as upon contract provisions affecting the sale.

Current prices for sales of oil and gas liquids were used to forecast future gross revenue from the properties appraised. Allowance was made, however, for price regulation by the Federal Energy Regulatory Commission to its proposed expiration in May 1979, after which the level reached was assumed to continue over the remaining life of the properties. Free market prices were used for stripper rates of production when reached and where appropriate. A stripper well is a well producing less than 10 barrels per day. Contract prices or the equivalent were used to forecast future revenue from gas sales, including provisions for escalation where suitable.

Bycor

Bycor owns leasehold interests in oil- and gas-producing properties in 22 fields in Arkansas, Louisiana, Mississippi, Montana, Texas, and Wyoming, and royalty interests in several properties in Arkansas, Louisiana, Montana, and Texas. Bycor also owns interests in undeveloped acreage in the aforementioned states as well as in Colorado, Nebraska, New Mexico, and South Dakota. Properties in four of the producing fields are unitized to facilitate fluid-injection programs now in progress. An active drilling program is being conducted in the Cold Turkey field in North Dakota for which proved undeveloped reserves have been estimated. Properties in the remaining fields essentially are considered to be developed completely by the present wells, although fluid-injection projects presently being conducted in some of the reservoirs could require additional drilling to improve the efficiency of a project.

We estimate the gross proved reserves of the properties appraised, as of December 31, 1977, to be 86,535,812 barrels of oil and gas liquids and 87,038,773,000 cubic feet of gas; of these, 618,967 barrels and 3,173,200,000 cubic feet are net to Bycor's interests after including net royalty production. Of the total net oil and gas liquids reserves, 23,703 barrels, or 4 per cent, are considered to be proved but undeveloped.

The future gross revenue, including net royalty income, is estimated to be $10,720,992 after deducting severance taxes. Deduction of $1,160,624 for operating costs, development and other capital costs, and ad valorem taxes leaves a future net revenue of $9,560,368.

Bycor owns 20,342 net acres in 161,737 gross acres which are not considered at this time to be proved for production of oil or gas. Much of this acreage is located near or adjacent to other acreage or units on which wells currently are producing, although dry holes in some areas limit its potential value. It is our opinion that this undeveloped acreage has relatively minor additional value beyond that estimated for the developed properties.

Alene

Alene owns leasehold interests in oil- and gas-producing properties in five fields in Louisiana, Texas and Wyoming. Properties in three of the producing fields are unitized to facilitate fluid-injection programs now in progress. The producing properties are considered to be developed completely by the present wells, although fluid-injection projects sometimes can require additional drilling to improve the efficiency.

We estimate the gross proved reserves of the properties appraised, as of December 31, 1977 to be 1,201,484 barrels of oil and gas liquids and 4,917,288,000 cubic feet of gas; of these 110,595 barrels and 628,573,000 cubic feet are net to Alene's interests.

Assuming continuance of present or contract prices for oil and gas, Alene's future gross revenue is estimated to be $1,965,536 after deducting severance taxes. Deduction of operating costs, capital costs, and ad valorem taxes, which are estimated to total $258,318, leaves a future net revenue of $1,707,218.

Hunting Petroleum Services Limited—*continued*

The following tables are summary projections of annual production and revenue from petroleum properties of Bycor (working interests and royalties) and Alene (working interests) as of December 31, 1977.

Bycor

Year Beginning January 1	*Net Production* Oil (Barrels)	Gas (mcf)	*Future Net Revenue* Annual $	Cumulative $
1978	127,637	502,510	1,613,102	1,613,102
1979	102,882	441,189	1,356,973	2,970,075
1980	86,057	400,026	1,252,782	4,222,857
1981	69,176	358,459	1,099,883	5,322,740
1982	53,636	313,985	930,508	6,253,248
1983	42,151	296,572	815,867	7,069,115
1984	31,442	260,309	658,338	7,727,453
1985	25,280	180,080	481,592	8,209,045
1986	18,951	102,007	299,545	8,508,590
1987	12,595	54,962	200,149	8,708,739
1988	10,684	28,779	122,900	8,831,639
1989	9,693	58,186	177,053	9,008,692
1990	7,268	60,531	163,923	9,172,615
1991	5,758	52,857	140,189	9,312,804
1992	4,663	32,939	97,484	9,410,288
Subtotal	607,873	3,143,391	9,410,288	9,410,288
Remaining	11,094	29,809	150,080	9,560,368
Total	618,967	3,173,200	$9,560,368	$9,560,368

Alene

Year Beginning January 1	*Net Production* Oil (Barrels)	Gas (mcf)	*Future Net Revenue* Annual $	Cumulative $
1978	21,743	154,346	352,095	352,095
1979	19,523	136,738	320,133	672,228
1980	18,609	128,017	313,900	986,128
1981	15,642	96,083	258,606	1,244,734
1982	10,301	55,532	171,612	1,416,346
1983	7,673	34,872	117,733	1,534,079
1984	5,649	18,805	74,987	1,609,066
1985	4,070	4,180	38,983	1,648,049
1986	3,066	—	24,327	1,672,376
1987	2,383	—	19,084	1,691,460
1988	1,853	—	15,057	1,706,517
1989	83	—	701	1,707,218
1990	—	—	—	1,707,218
1991	—	—	—	—
1992	—	—	—	—
Total	110,595	628,573	$1,707,218	$1,707,218

In our opinion, the fair market value of the properties as of December 31, 1977 is $5,100,000 in the case of Bycor and $1,000,000 for Alene.

Fair market value is that amount for which the properties under consideration could probably be sold by one who desires to sell, but is under no urgent necessity to sell, to a buyer who desires to buy, but is under no urgent necessity to buy, in an arm's-length transaction with both parties having reasonable knowledge of the facts.

Submitted
DeGolyer and MacNaughton
March 20, 1978.

Supplemental Report

To: Brazos Young Corporation
and Alene Oil Company
P.O. Box 907
McAlester
Oklahoma

DeGolyer and MacNaughton
One Energy Square
Dallas, Texas 75206
USA

Gentlemen,

We refer to our report dated March 20, 1978 on the oil and gas reserves of Bycor and Alene as of December 31, 1977.

We have reviewed with McAlester Fuel Company developments which have occurred between December 31, 1977 and May 1, 1978 which might affect Bycor and Alene's properties and we concur with McAlester Fuel Company's opinion that no significant change has occurred other than production during this intervening period.

Submitted
DeGolyer and MacNaughton
June 15, 1978.

Accountants' report

The following is a copy of a report to the Directors of the Company and of Robert Fleming & Co. Limited by Price Waterhouse & Co., Chartered Accountants, the Auditors of the Company and Reporting Accountants:

Southwark Towers
32 London Bridge Street
London SE1 9SY
30 June 1978

The Directors
Hunting Petroleum Services Limited
Robert Fleming & Co. Limited

Gentlemen,

Hunting Petroleum Services Limited ('the company') was incorporated on 1 June 1978 and did not trade prior to 6 June 1978, when it conditionally acquired the subsidiaries listed below in exchange for 7,875,000 of its ordinary shares and 1,250,000 of its deferred shares.

Frétoil Société Nouvelle Pétrole et Affrètements S.A. (99.93 per cent)
Fuel-Fast Limited
Gibson Crude Oil Purchasing Co. Limited (90 per cent)
Hunting Gibson (America) Limited
Hunting Gibson (Overseas) Limited
Hunting Oilfield Services Limited
Hunting Oil Terminals Limited
Mayflower Trading and Investment Company Limited

All these companies are wholly owned, except as indicated above, and together with their subsidiaries, in some of which there are significant minorities, and the company are referred to herein as 'the group'.

We have examined the books and accounts of the companies now forming the group for the period relevant to this report. In our opinion the statements of turnover and profits, source and application of funds and net assets set out below, which are based on audited accounts after making such adjustments as we consider appropriate and which have been prepared under the historical cost convention, give under that convention a true and fair view of the profits and source and application of funds of the group for the five years ended 31 December 1977 and of its net assets at 31 December in each of the years 1972 to 1977.

No accounts of the company have been prepared for submission to members since its incorporation and no accounts of subsidiaries have been so prepared for any period subsequent to 31 December 1977. No dividends have been declared or paid by the company.

Accounting policies

Accounting for subsidiaries

The merger basis of accounting has been used to present the combined financial information of the companies now forming the group. Accordingly the shares in the company are recorded as being issued at par and the net assets of the companies concerned have been combined and carried forward at their book amounts.

Goodwill on acquisitions by the subsidiaries, representing the excess cost of shares in companies acquired over their net tangible assets at acquisition, is carried forward.

Fixed assets and depreciation

The costs of exploring, acquiring and developing oil and gas properties are capitalised, including non-productive exploration and drilling costs, provided that the book amount of such costs, after providing for depletion, depreciation and amortisation, does not exceed the estimated value of proven recoverable reserves. Depletion, depreciation and amortisation is provided using the unit of production method based on the estimated total proven recoverable oil and gas reserves of each subsidiary.

Other fixed assets are stated at cost, and depreciation is provided in equal annual instalments over their estimated useful lives.

Associated companies

Associated companies are defined as those companies, not being subsidiaries, in which group companies have an interest of not less than 20 per cent and in whose commercial and policy decisions they participate. The combined profits include the group's share of the results of associated companies for years ended 31 December, based on audited accounts or, in the case of two associated companies with 30 June year ends, on unaudited management accounts.

Foreign currencies

Assets and liabilities and the results of overseas subsidiaries and associated companies have been expressed in sterling at the market rates ruling at 31 December in each year; the differences arising from the movement in exchange rates have been dealt with through reserves.

Deferred taxation

The amount set aside for deferred taxation represents tax at the rates applicable for the year on the excess of capital allowances in respect of fixed assets over the corresponding provisions for depreciation and on other timing differences, including stock appreciation relief.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of work in progress includes, together with direct labour and material costs, production overheads and a proportion of administrative overheads.

Turnover and profits

The turnover and profits of the group for the five years ended 31 December 1977 based on audited accounts and after making such adjustments as we consider appropriate, were as follows:

	Note	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Turnover	1	60,061	94,639	109,712	121,321	124,642
Cost of sales and expenses		58,406	91,960	108,064	120,060	122,562
Trading profit	2	1,655	2,679	1,648	1,261	2,080
Interest payable		(7)	(26)	(181)	(291)	(354)
Interest receivable		74	212	138	150	99
Share of profits and losses of associated companies		4	63	84	(169)	(88)
Profit before taxation		1,726	2,928	1,689	951	1,737
Taxation	3	882	1,590	829	752	646
Profit after taxation		844	1,338	860	199	1,091
Minority interests		(212)	(376)	(217)	132	(302)
Profit after taxation and minority interests		632	962	643	331	789

Notes

1 *Turnover*

Turnover represents the total amounts receivable in the ordinary course of business for services provided and for products sold.

An analysis of turnover by significant activity and geographical location is as follows:

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Activities:					
Crude oil marketing, storage and distribution	58,146	91,215	104,878	111,499	110,323
Drilling and other oilfield services	587	1,239	1,686	3,454	6,069
Oil and gas exploration and development	253	626	1,109	1,292	1,006
Oil broking and other activities	1,075	1,559	1,257	1,098	919
Heating oil distribution	—	—	782	3,978	6,325
	60,061	94,639	109,712	121,321	124,642
By company location:					
Canada	58,146	91,215	104,878	111,499	110,323
USA	253	626	1,109	1,292	1,006
United Kingdom	587	1,170	2,249	6,513	11,108
France	1,075	1,559	1,257	1,098	919
Other	—	69	219	919	1,286
	60,061	94,639	109,712	121,321	124,642

2 *Trading profit*

Trading profit is arrived at after charging/(crediting):

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Depletion, depreciation and amortisation	236	396	773	1,035	1,269
Hire of plant and equipment	37	128	138	303	863
Provision against Wascana pipeline operations	—	—	—	585	(96)
Loss on sale of vessel	—	—	—	143	—
Additional depreciation to reduce book amount of vessel to estimated realisable value	—	—	—	—	248

In accordance with the accounting policy of the group, the following exchange gains/(losses) have been dealt with through reserves:

	1973	1974	1975	1976	1977
Fixed assets, less long term debt	40	5	481	517	(448)
Other net assets	50	27	(38)	20	(25)
	90	32	443	537	(473)

The contribution to trading profit of the significant activities and geographical locations is as follows:

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Activities:					
Crude oil marketing, storage and distribution	795	1,315	692	233	1,267
Drilling and other oilfield services	46	178	49	338	380
Oil and gas exploration and development	74	234	355	480	382
Oil broking and other activities	740	952	525	179	(11)
Heating oil distribution	—	—	27	31	62
	1,655	2,679	1,648	1,261	2,080
By company location:					
Canada	795	1,317	692	237	1,284
USA	84	244	369	497	396
United Kingdom	36	151	64	117	266
France	740	952	525	179	(11)
Other	—	15	(2)	231	145
	1,655	2,679	1,648	1,261	2,080

3 *Taxation*

The taxation charge, which is based on the profit for the year, comprises:

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
UK corporation tax	25	111	48	(47)	(168)
Overseas taxation	799	1,257	522	484	519
Deferred taxation	58	205	258	332	295
Associated companies	—	17	1	(17)	—
	882	1,590	829	752	646

The tax charge was substantially in excess of 52 per cent in 1976, principally due to the provision against Wascana pipeline operations not being allowable as a deduction from taxable profits. The tax charge was substantially less than 52 per cent in 1977, due to a number of factors none of which was individually significant.

Source and application of funds

The source and application of funds of the group for the five years ended 31 December 1977, based on audited accounts and after making such adjustments as we consider appropriate, were as follows:

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Source of funds					
Operations:					
Profit before taxation	1,726	2,928	1,689	951	1,737
Adjustment for items not involving the movement of funds:					
Depreciation	236	396	773	1,035	1,269
Associated companies	(4)	(63)	(84)	169	88
Exceptional losses and additional depreciation in respect of fixed assets	—	—	—	143	248
	1,958	3,261	2,378	2,298	3,342
Other sources:					
Loans	—	1,732	598	989	288
Sale of fixed assets	75	22	238	589	353
Exchange differences	90	32	443	537	(473)
Balances with other Hunting companies	(8)	202	(318)	38	826
Increase in crude oil proceeds repayable	—	180	370	480	(38)
Issue of shares	—	—	214	95	—
	157	2,168	1,545	2,728	956
	2,115	5,429	3,923	5,026	4,298
Application of funds					
Fixed assets	595	2,579	2,975	4,207	2,371
Taxation paid	395	1,025	1,106	344	539
Loans repaid	15	16	410	782	281
Associated companies	(26)	(15)	68	284	192
Investments	39	(8)	(9)	29	99
Goodwill on acquisition	—	—	23	—	140
Minority interests	31	71	(13)	(195)	265
Dividends paid	131	328	366	250	599
	1,180	3,996	4,926	5,701	4,486
	935	1,433	(1,003)	(675)	(188)
Increase/(decrease) in working capital					
Stocks and work in progress	974	1,034	(404)	878	(285)
Debtors	1,373	3,303	1,953	1,362	486
Creditors and provisions	(1,173)	(2,637)	(2,273)	(3,335)	615
Net bank finance	(239)	(267)	(279)	422	(1,004)
	935	1,433	(1,003)	(675)	(188)

Net assets

The net assets of the group at 31 December in each of the years 1972 to 1977, based on audited accounts and after making such adjustments as we consider appropriate, were as follows:

	Note	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Fixed assets	1	1,292	1,576	3,737	5,701	8,141	8,842
Interest in associated companies	2	123	101	149	301	416	520
Investments	3	319	358	350	341	370	469
Goodwill		—	—	—	23	23	163
Current assets							
Stocks and work in progress		365	1,339	2,373	1,969	2,845	2,580
Debtors		2,726	4,099	7,402	9,395	10,717	11,203
Short term notes and deposits		382	614	627	453	719	321
Cash at bank and in hand		183	81	284	251	541	148
		3,656	6,133	10,686	12,068	14,822	14,232
Current liabilities							
Bank overdrafts (secured)		—	369	852	924	1,058	1,271
Creditors and provisions	4	2,404	3,577	6,214	8,487	11,822	11,207
Taxation		89	515	858	274	283	168
		2,493	4,461	7,924	9,685	13,163	12,646
Net current assets		1,163	1,672	2,762	2,343	1,659	1,586
Net balances with other Hunting companies	5	(499)	(492)	(694)	(376)	(414)	(1,240)
		2,398	3,215	6,304	8,333	10,195	10,140
Crude oil proceeds repayable	6	—	—	(180)	(550)	(1,030)	(992)
Minority interests		(651)	(832)	(1,137)	(1,367)	(1,430)	(1,467)
Deferred taxation	7	(69)	(129)	(351)	(658)	(1,057)	(1,279)
Loans	8	(145)	(130)	(1,846)	(2,034)	(2,241)	(2,248)
		(865)	(1,091)	(3,514)	(4,609)	(5,758)	(5,986)
	9	1,533	2,124	2,790	3,724	4,437	4,154

Based on the net assets at 31 December 1977 as set out above, after adjusting for the subsequent capitalisation of certain balances with other Hunting companies and on the issue of 9,125,000 ordinary and deferred shares of the company in exchange for those of its subsidiaries the net assets would have been represented by issued share capital and reserves as follows:

Net assets at 31 December 1977 as set out above	4,154
Increase in respect of balances with other Hunting companies which have been capitalised since 31 December 1977	842
	4,996
Represented by:	
Share capital of the company (excluding 1,700,000 new ordinary shares forming part of the offer for sale)	2,281
Reserves	2,715
	4,996

Notes

1 *Fixed assets*

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Cost:						
Freehold land and buildings	101	97	368	422	629	599
Leasehold land and buildings	30	33	34	39	42	91
Vessels	—	—	473	1,203	706	682
Oil and gas leases and equipment, including exploration and development costs	744	920	2,073	2,981	4,423	4,623
Oil pipelines, tanks and equipment	1,418	1,817	1,641	2,065	3,828	3,276
Plant, equipment and rail tank cars	358	433	907	1,422	1,941	3,413
Motor vehicles	102	131	261	682	1,015	1,310
	2,749	3,231	5,757	8,814	12,584	13,974
Depreciation:						
Freehold land and buildings	30	34	37	45	60	55
Leasehold land and buildings	9	11	11	13	14	14
Vessels	—	—	30	142	135	458
Oil and gas leases and equipment, including exploration and development costs	316	396	516	908	1,495	1,646
Oil pipelines, tanks and equipment	996	1,044	1,116	1,306	1,677	1,506
Plant, equipment and rail tank cars	62	114	210	399	672	1,178
Motor vehicles	44	56	100	300	390	475
	1,457	1,655	2,020	3,113	4,443	5,332
Net book amount	1,292	1,576	3,737	5,701	8,141	8,642

The following annual rates of depletion, depreciation and amortisation are used by the group:

	%
Freehold buildings	7.5 – 10
Leasehold land and buildings	Life of lease
Vessels	12.5
Oil and gas leases and equipment, including exploration and development costs	unit of production method
Oil pipelines, tanks and equipment	5 – 10
Plant, equipment and rail tank cars	6.7 – 33.3
Motor vehicles: Trailers	6.7 – 20
Tractors	20
Motor cars	25

At 31 December 1977 the group was committed to capital expenditure not provided in the accounts of £843,000 and the boards of subsidiary companies had authorised but not contracted capital expenditure amounting to approximately £123,000.

2 *Interest in associated companies*

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Shares at cost less amounts written off	45	45	45	126	213	337
Group share of retained profits/(losses) of associated companies	5	(3)	25	59	(163)	(285)
	50	42	70	185	50	52
Net balances owing, less amounts written off	73	59	79	116	366	468
	123	101	149	301	416	520

3 *Investments*

Investments are stated at cost less amounts written off and at 31 December 1977 comprised:

	Cost £'000	Market value £'000
Listed investments	325	544
Unlisted investments (Directors' valuation £144,000)	144	
	469	

4 *Creditors*

At 31 December 1977, trade creditors of a subsidiary included £686,000 secured on certain assets of that subsidiary and by a guarantee by Hunting Gibson Limited. This guarantee will be assumed by the company upon the issued ordinary shares of the company being admitted to the Official List.

5 *Net balances with other Hunting companies*

Balances with other Hunting companies represent net amounts owing to Hunting Gibson Limited, Hunting Associated Industries Limited ('HAIL'), Hunting Group Limited and their subsidiaries. Since 31 December 1977 these balances have been capitalised or repaid, with the exception of outstanding dividends and group relief payments totalling £62,000 and a loan of £22,000 from an overseas subsidiary of HAIL, repayable 8 December 1978.

6 *Crude oil proceeds repayable*

The liability to repay crude oil proceeds arose following a retrospective adjustment, resulting from a decision by the Federal Energy Authority in the USA, to the price charged to one customer for the supply of crude oil during the three years ended 31 December 1976. This liability bears interest at 8 per cent and will be satisfied in part by the supply of crude oil over a period of three years commencing January 1978, with the balance repayable in cash in 1981.

7 *Deferred taxation*

	1972 £'000	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Capital allowances	69	129	280	609	950	1,112
Stock appreciation relief	—	—	77	76	170	314
Unutilised tax losses and other allowances	—	—	(6)	(27)	(63)	(147)
	69	129	351	658	1,057	1,279

No benefit has been taken for further unutilised tax losses carried forward at 31 December 1977 amounting to £637,000 and available to offset future taxable income of certain subsidiaries, of which £237,000 is only available until 1980. Contingent liabilities to taxation exist in the event of further distributions by way of dividends being made by overseas subsidiaries and associated companies to UK companies.

8 *Loans*

Loans at 31 December 1977 comprised:

	£'000
Secured bank loans:	
Repayable in full in 1979, interest at 1½% over London Inter Bank Offered Rate (US$1,500,000)	782
Repayable in annual instalments to 1984, interest at 1½% over Mercantile Bank of Canada prime rate (Can $2,128,000)	1,014
	1,796
Other secured loans:	
Repayable in equal annual instalments to 1980, interest at 1.95% over Bank of France base rate (F.Fr 2,220,000)	247
Repayable from revenues arising from oil and gas properties, interest at ½% over Royal Bank of Canada prime rate (Can $103,000)	49
Repayable in equal instalments to 1979, interest at 17%	121
Repayable in equal instalments to 1979, interest at 15% (US$476,000)	248
	665
Other unsecured loans:	
Capitalised future lease payments to 1982	252
Repayable 1 January 1979, interest at 8% (Can $218,000)	104
	356
	2,817
Less amounts due within one year included in creditors and provisions	569
	2,248

9 *Reconciliation of net asset movements*

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Opening net assets	1,533	2,124	2,790	3,724	4,437
Profit after taxation and minority interests	632	962	643	331	789
Exchange differences:					
Fixed assets, less long term debt	40	5	481	517	(448)
Other net assets	50	27	(38)	20	(25)
Dividends paid	(131)	(328)	(366)	(250)	(599)
Issue of shares	—	—	214	95	—
Closing net assets	2,124	2,790	3,724	4,437	4,154

10 *Contingent liabilities*

Subsidiary companies have guaranteed part of the bank indebtedness of certain associated companies which at 31 December 1977 amounted to £746,000.

At 31 December 1977 Hunting Oilfield Services Limited ('HOSL') had guaranteed the bank overdraft of a fellow subsidiary of HAIL which amounted to £516,000 at that date, and had, together with certain fellow subsidiaries of HAIL, agreed under a letter of set-off that the bankers might at any time without notice combine all or any of their bank accounts. HOSL will be released from these arrangements upon the issued ordinary shares of the company being admitted to the Official List. Similarly the UK subsidiaries being acquired by the company from Hunting Gibson Limited have guaranteed the bank overdrafts of Hunting Gibson Limited and certain of its subsidiaries, which at 31 December 1977 amounted to £1,441,000, and will be released from these guarantees on listing of the company's issued ordinary shares.

11 *Events since 31 December 1977*

Under the terms of agreements entered into prior to 31 December 1977 there was a commitment at that date to purchase a further 460,000 common shares in Gibson Holdings Limited for Can $3,350,000; at that date an initial payment of Can $300,000 had been made. Since 31 December 1977 the agreements have been varied with the result that Can $2,950,000 was paid on 3 April 1978 in full settlement of this commitment. Also on that date 344,353 of these 460,000 shares were disposed of for Can $2,410,865 in cash. The interest of the group in Gibson Holdings Limited increased by 6.86 per cent as a result of these transactions to make a holding of 54.90 per cent.

Yours faithfully
Price Waterhouse & Co.
Chartered Accountants.

Profit forecast assumptions and letters

Bases and assumptions

The consolidated profit forecast of the Company for the year ending 31st December 1978 as stated in the Chairman's letter above is based on the results of the subsidiary companies as shown by the management accounts for the three months ended 31st March 1978 (which have not been audited) and on the following assumptions:

i) there will be no major international event affecting the oil and gas industries in the countries in which the Group operates
ii) there will be no material disruption of the Group's business by reason of industrial disputes involving either the Group or any of its suppliers or customers, political or civil disturbances, fire or explosion or natural disasters
iii) there will be no material changes in interest rates or in international exchange rates
iv) the Group's business will not be materially affected by abnormal weather conditions
v) any governmental action in the countries in which the Group operates will not materially affect the Group's results
vi) rates of inflation in the countries in which the Group operates will not differ significantly from current levels.

For the purposes of this paragraph 'the Group' means the Company, its subsidiaries and associated companies.

Letters

The following are copies of letters which have been received by the Board of the Company relating to the profit forecast for the year ending 31st December 1978:

Southwark Towers
32 London Bridge Street
London SE1 9SY
30th June 1978

Dear Sirs

We have reviewed the accounting bases and calculations for the profit forecast of Hunting Petroleum Services Limited and its subsidiary and associated companies for the year ending 31st December 1978, for which the Directors are solely responsible, set out in the Chairman's letter included in the document dated 30th June 1978 issued in connection with the offer for sale of 2,700,000 ordinary shares of 25p each of Hunting Petroleum Services Limited. The forecast includes results shown by unaudited management accounts for the three months ended 31st March 1978.

In our opinion the forecast, so far as the accounting bases and calculations are concerned, has been properly compiled on the footing of the assumptions made by the Directors, set out in the document, and is presented on a basis consistent with the accounting practices normally adopted by the companies concerned.

Yours faithfully
Price Waterhouse & Co.
Chartered Accountants

Hunting Petroleum Services Limited — continued

8 Crosby Square
London EC3A 6AN
30th June 1978
Dear Sirs

We refer to the profit forecast for the year ending 31st December 1978 set out in the Chairman's letter included in the document dated 30th June 1978 issued in connection with the Offer for Sale of 2,700,000 Ordinary Shares of 25p each of Hunting Petroleum Services Limited.

We have discussed with yourselves the bases and assumptions on which the profit forecast was made. We have also considered the letter dated 30th June 1978 addressed to yourselves from Price Waterhouse & Co. regarding the accounting bases and calculations adopted in arriving at the profit forecast.

On the basis of the above, we consider that the profit forecast (for which you are solely responsible) has been made with due care and attention.

Yours faithfully
Robert Fleming & Co. Limited
J. D. Crosland
Director

remises

The principal properties of the Group comprise the following:

Location and description	Occupier	Total area if applicable (acres)	Floor area (sq. metres)	Tenure (unexpired term and rent)
United Kingdom				
Aberdeen: workshops and offices	HOSL	—	3,500	Leasehold: Commenced 22nd March 1976 for a term of 35 years expiring on 21st March 2011 at a rental of £56,000 p.a. (subject to five-yearly rent review)
Aberdeen: warehouse and offices	Drill-Tech Limited	—	465	Leasehold: fixed term to August 1978 with three-monthly options thereafter at a rental of £13,500 p.a.
Great Yarmouth: workshop and offices	HOSL	—	1,236	Leasehold: Commenced 23rd November 1972 for a term of 11 years expiring on 22nd November 1983 at a rental of £10,600 p.a. (subject to review in November 1980)
Great Yarmouth: workshop and offices	HOSL	—	936	Leasehold: Commenced 1st August 1974 for a term of 7 years expiring on 31st July 1981 at a rental of £10,500 p.a.
Great Yarmouth: warehouse and offices	Drill-Tech Limited	—	737	Leasehold: Commenced 1st November 1977 for a term of one year expiring on 31st October 1978 at a rental of £8,400
Droitwich: heating oil distribution depot	Fuel-Fast	0.82	—	Leasehold: Commenced 18th April 1977 for a term of 99 years expiring on 17th April 2076 at a rental of £2,500 p.a. (subject to seven-yearly rent review)
Lye: heating oil distribution depot	Fuel-Fast	0.57	—	Freehold

In addition Fuel-Fast occupies 5 further heating oil distribution depots under leases of between 5 and 20 years at rentals of between £900 and £4,000 p.a.

Location and description	Occupier	Total area if applicable (acres)	Floor area (sq. metres)	Tenure (unexpired term and rent)
Holland				
Den Helder: workshop and offices	Hunting Oilfield Services B.V.	—	1,768	Leasehold: Commenced 1st January 1978 for a term of 3 years expiring on 31st December 1980 at a rental of D.fl 96,993 p.a. increasing in each year by 5 per cent
Canada				
Calgary: offices	Gibson Petroleum	—	3,887	Leasehold: Commenced 1st March 1971 for a term of 10 years expiring on 28th February 1981 at a rental of Can $25,800 p.a.
Edmonton: offices, pump house and storage tanks	Gibson Petroleum	86.39	—	Freehold
Hardisty: offices, pump house and storage tanks	Gibson Petroleum	147.31	—	Freehold

Statutory and general information

Share capital

The Company was incorporated on 1st June 1978 with an authorised share capital of £100 divided into 400 Ordinary Shares of 25p each, of which 7 Ordinary Shares were issued and were fully paid up. By or pursuant to resolutions passed at an Extraordinary General Meeting of the Company on 30th June 1978 the authorised share capital of the Company was increased to £3,312,500 by the creation of an additional 11,999,600 Ordinary Shares of 25p each and 1,250,000 Deferred Shares of 25p each and the Company became a public company and altered its Articles of Association.

Acquisition Agreements

On 6th June 1978 the Company entered into two Agreements to acquire the oil and gas related interests of HAIL, Gibson and HH.

Under the first of these Agreements, the parties to which were (1) Hunting Gibson Oil & Gas Limited ('HGOG') (a wholly owned subsidiary of Gibson) (2) Gibson and (3) the Company, HGOG agreed to sell to the Company its holding of 99.93 per cent of the issued share capital of Fretoil and the whole of the issued share capital of Fuel-Fast in consideration of the issue of 1,375,000 Ordinary Shares of 25p each and 375,000 Deferred Shares of 25p each in the Company, credited as fully paid, conditionally upon (a) the Council of The Stock Exchange admitting to the Official List the whole of the issued Ordinary Share capital of the Company not later than 28th July 1978 and (b) approval being obtained not later than 28th July 1978 from the shareholders of Gibson to both Agreements and from the shareholders of HAIL to the second of the Agreements. Condition (a) is expected to be satisfied on 5th July 1978 and condition (b) was satisfied on 30th June 1978.

Under the second Agreement, the parties to which were, *inter alia*, (1) Hunting Engineering Management Limited ('HEML') (a wholly owned subsidiary of HAIL), HGOG and HH, (2) HAIL, Gibson and HH, and (3) the Company, it was agreed subject to the same conditions as those set out above that:

i) HEML should sell to the Company the whole of the issued share capital of HOSL in consideration of the issue of 2,625,000 Ordinary Shares of 25p each in the Company, credited as fully paid;

ii) HGOG should sell to the Company its holding of 90 per cent of the issued share capital of Gibson Crude Oil Purchasing Co. Limited ('GCOP'), the holding company of Gibson Petroleum and the whole of the respective issued share capitals of Hunting Gibson (America) Limited, ('HGA'), the holding company of Alene, and of Hunting Gibson (Overseas) Limited ('HGO') and Hunting Oil Terminals Limited (both of which are currently inactive); in consideration of the issue of a total of 2,125,000 Ordinary Shares of 25p each and 375,000 Deferred Shares of 25p each in the Company, credited as fully paid; and

iii) HH should sell to the Company the whole of the issued share capital of Mayflower Trading and Investment Company Limited ('Mayflower') the holding company of Bycor, in consideration of the issue of 1,750,000 Ordinary Shares of 25p each and 500,000 Deferred Shares of 25p each in the Company, credited as fully paid.

Warranties and indemnities have been given by HAIL, Gibson and HH under the Agreements in respect of the business of, and taxation matters relating to, the companies being sold.

Offer for Sale Agreement

Under an Agreement dated 6th June 1978 made between, *inter alia*, the Company and Robert Fleming & Co. Limited ('Robert Fleming'), Robert Fleming agreed conditionally upon (a) the passing at an Extraordinary General Meeting of the Company to be held on 30th June 1978 or at any adjournment thereof not later than 28th July 1978 of the resolutions referred to under 'Share capital' above (b) the passing at Extraordinary General Meetings of HAIL and Gibson to be held on 30th June 1978 or at any adjournment thereof not later than 28th July 1978 of resolutions approving the sale of their respective oil and gas related interests to the Company pursuant to the Acquisition Agreements referred to above (c) the Council of The Stock Exchange admitting to the Official List the whole of the issued Ordinary Share capital of the Company not later than 28th July 1978 and (d) the Acquisition Agreements mentioned above being completed in accordance with their terms:

i) to subscribe in cash at 83.9375p per share for 1,700,000 Ordinary Shares of 25p each; and

ii) to purchase 1,000,000 Ordinary Shares of 25p each from HGOG at a price of 83.9375p per share

and to offer the said shares for sale to the public at a price of 85p per share.

The Agreement provides (*inter alia*) that the Company will pay the costs and expenses of and incidental to the application to the Council of The Stock Exchange, all legal and accountancy fees and other expenses in connection with the preparation, publication, advertising and circulation of the Offer for Sale, capital duty in respect of the issue of the said 1,700,000 Ordinary Shares, the expenses of the receiving bankers and registrars, all printing charges, a fee of £10,000 to the brokers and a fee of £30,000 to Robert Fleming. The total expenses payable by the Company are estimated to amount to £225,000 (excluding value added tax). Robert Fleming will pay its own legal expenses and, pursuant to underwriting agreements to which the Company is not a party, a commission of 1¼ per cent (plus value added tax) of the offer price in respect of the Ordinary Shares now offered for sale.

Articles of Association

The rights attached to the Deferred Shares by the Articles of Association of the Company are summarised under the heading 'Share capital and indebtedness' above. The Articles of Association also contain provisions (*inter alia*) to the following effect:

Votes of Members

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member, who being an individual is present in person or being a corporation is present by a representative, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of 25p of which he is the holder.

No member shall be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company if he or any person appearing to be interested in shares registered in his name is in default in supplying to the Company within 21 days the information required by a valid notice served under section 27 of the Companies Act 1976.

Variation of rights

The rights and privileges for the time being attached to any class of shares forming part of the issued capital for the time being of the Company may be varied or taken away with the consent in writing of the holders of three-fourths in number of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of the Company's Articles of Association as to General Meetings shall *mutatis mutandis* apply but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class in question, that any holder of shares of the class present in person or by proxy may demand a poll, that the holders of shares of the class shall on a poll have one vote for each share of the class held by them respectively and that if at any adjourned meeting of such holders a quorum as above defined is not present in person or by proxy, those of such holders who are present shall be a quorum.

Directors

i) Save as provided below, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

ii) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

d) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, but is not the holder of or beneficially interested in one per cent or more of the issued shares of any class of such company or of any third company through which his interest is derived; and

e) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes.

iii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately, and in such case each of the Directors concerned (if not debarred from voting under paragraph e) iv) below) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

iv) If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

v) The Directors shall be entitled to such remuneration (if any) for their services as the Company in General Meeting shall determine and unless otherwise determined such remuneration shall be divided between the Directors in such proportion and manner as the Directors may unanimously determine or, in default of such determination, equally. Any Director who by request performs special services or goes or resides abroad for any purposes of the Company may receive such extra remuneration as the Directors may think fit. Any Director appointed to be an Executive Officer shall be remunerated as the Directors may determine.

vi) A Director may also be paid all expenses properly incurred by him in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company.

vii) The Directors may establish and maintain any pension, insurance, or superannuation funds and shall have the power to give or procure the giving of donations, gratuities, pensions or similar payments to any persons, including Directors and former Directors, who hold or have held at any time any employment or office in the Company or any of its subsidiaries or associated companies.

viii) The Directors may appoint any person to an office or employment with the Company having a title including the word 'Director' or attach such a title to any existing office or employment with the Company. The inclusion of the word 'Director' in the title shall not imply that the person so titled is a Director of the Company nor empower such person to act as a Director.

ix) Save as permitted by law no person over the age of seventy may be appointed a Director of the Company.

Borrowing Powers

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies for the time being so as to ensure (as regards subsidiary companies so far as by such exercise they can ensure) that the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of intra-Group borrowings) shall not at any time without the previous sanction of an Ordinary Resolution of the Company exceed three times the aggregate of the amount paid up or credited as paid up on the issued share capital of the Company and the amounts standing to the credit of the consolidated capital and revenue reserves of the Group (including share premium account, capital redemption reserve fund and profit and loss account) all as shown by the latest audited consolidated balance sheet of the Group. For these purposes 'the Group' means the Company and its subsidiaries.

Directors' and other interests

No Director of the Company has an interest in the share capital of the Company. The interests of the Directors and their families in the share capitals of HAIL, Gibson and Hunting Group Limited ('HG') (of which HH is a subsidiary) as they appear in the registers maintained by those companies under the provisions of the Companies Act 1967 are as follows:

HAIL

		Ordinary Shares of 25p each: Fully paid	1p paid
L. C. Hunting	Beneficial	183,004	—
	As Trustee	424,893	—
G. P. Dollimore	Beneficial	600	14,400
R. H. Hunting	Beneficial	175,000	—
	As Trustee	413,697	—
R. E. Treacher	Beneficial	750	7,200
	As Trustee	1,303,175	—
K. W. Miller	Beneficial	—	3,600
		2,501,119	25,200
Less interests duplicated (see Note)		838,590	—
		1,662,529	25,200

The 1p paid Ordinary Shares have been issued under the HAIL Executive Share Purchase Scheme.

Gibson

		Ordinary Shares of £1 each: Fully Paid	3p paid	Preference Shares of £1 each
L. C. Hunting	Beneficial	20,774	—	—
	As Trustee	68,375	—	—
R. H. Hunting	Beneficial	78,074	—	—
	As Trustee	11,111	—	—
R. E. Treacher	Beneficial	—	3,800	—
	As Trustee	204,000	—	22,750
K. W. Miller	Beneficial	—	1,800	—
		382,334	5,600	22,750
Less interests duplicated (see Note)		87,388	—	—
		294,946	5,600	22,750

The 3p paid Ordinary Shares have been issued under the Gibson Executive Share Purchase Scheme.

HG

		Ordinary Shares of 5p each Fully Paid
L. C. Hunting	Beneficial	31,179
	As Trustee	100,221
R. H. Hunting	Beneficial	31,010
	As Trustee	100,065
R. E. Treacher	As Trustee	362,142
		624,617
Less interests duplicated (see Note)		165,582
		459,035

Note: Where more than one Director is a trustee, the shareholding of that trust is included in the total interest of each Director who is a trustee.

Mr. G. P. Dollimore holds an option under the HAIL Share Option Scheme to subscribe for 3,214 Ordinary Shares of 25p each in the share capital of HAIL and Mr. K. W. Miller holds an option under the Gibson Share Option Scheme to subscribe for 2,200 Ordinary Shares of £1 each in the share capital of Gibson.

Save as disclosed herein, (i) no Director of the Company has any interest in any assets which within two years before the date hereof have been, or which are proposed to be, acquired or disposed of by, or leased to, the Company or any of its subsidiaries, and no contract or arrangement subsists in which a Director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries ('the Group') taken as a whole; and (ii) the Directors are not aware of any shareholdings which will immediately after completion of this Offer for Sale represent five per cent or more of the issued Ordinary Share capital of the Company.

Material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into within two years before the date hereof and are or may be material:

i) An Agreement dated 14th April 1977 between Gannet Offshore Production Services Limited ('Gannet') and HOSL whereby HOSL acquired from Gannet the whole of the issued share capital of Drill-Tech Limited ('Drilltech') together with £499,430 Unsecured Loan Stock 1978 and £49,013 Debenture Stock 1977 of Drilltech for the sum of £312,000 (subject to the adjustments therein mentioned).

ii) An Agreement dated 15th August 1977 between Gibson Petroleum and Pacific Petroleums Limited ('Pacific') whereby Gibson Petroleum leased two storage tank units to Pacific for a period of 15 years for the sum of Can $37,500 per month (subject to the adjustments therein mentioned) payable for the first 10 years of such period.

iii) Agreements dated 11th November 1976 and 28th October 1977 between McAlester Fuel Company ('McAlester') and Bycor whereby in conjunction with McAlester, Bycor agreed to spend in connection with exploration for oil and gas producing prospects (a) a sum not exceeding $1,150,000 in the calendar year 1977 (b) a sum not exceeding $1 million in the calendar year 1978 (each of such sums to include a fee payable to McAlester of 15 per cent of the amount so spent) and the parties further agreed to participate in prospects acquired in the course of such exploration (a) in 1977 in the ratio of 3:1 and (b) in 1978 in the ratio of 4:1 in both cases in favour of McAlester.

iv) An Agreement dated 1st November 1977 between Alsthom-Atlantique and HOSL whereby HOSL, for the fee and royalty therein described, was granted a licence to let on hire, maintain and repair turbodrills (manufactured by Alsthom-Atlantique) in United Kingdom, Irish and Norwegian waters for a period of 10 years.

v) An Agreement dated 23rd December 1977 between Gibson and Western Crude Oil Inc. ('Western Crude') whereby Gibson agreed to cause its nominee, Gibson Crude Investments Limited ('Gibson Crude'), to sell to Western Crude 321,376 Common Shares of no par value in the capital stock of Gibson Holdings Limited ('Gibson Holdings'), a subsidiary of GCOP, for Can $2,250,000.

vi) An Assignment dated 14th February 1978 between Gibson and Gibson Crude whereby Gibson assigned to Gibson Crude in consideration of the payment of Can $10 Gibson's rights and interests under an Agreement dated 5th May 1977 made between E. A. Gibson & Co. Limited ('EAG'), a subsidiary of Gibson, GCOP, Duke Seabridge Limited ('Duke') and Gibson (as amended by an Agreement between the same parties dated 13th February 1978) whereby Gibson had agreed to purchase from Duke 460,000 Common Shares of no par value in the capital of Gibson Holdings for Can $3,250,000.

vii) An oral Agreement between Gibson Crude and Mr W. H. Green whereby on 3rd April 1978 Gibson Crude sold to Mr Green 22,977 Common Shares of no par value in the capital of Gibson Holdings for Can $160,265.

viii) Two Agreements dated 6th June 1978, the first being between (1) HGOG (2) Gibson and (3) the Company and the second being between (1) HEML, HGOG and HH (2) HAIL, Gibson and HH (3) Hunting Engineering Limited (a wholly owned subsidiary of HAIL) and (4) the Company, together being the Acquisition Agreements referred to above.

ix) An Agreement dated 6th June 1978 between (1) the Company (2) HGOG (3) HAIL, Gibson and HH (4) the Directors of the Company and (5) Robert Fleming, being the Offer for Sale Agreement referred to above.

Subsidiary and associated companies

The Company's subsidiary and associated companies (all of which are private) are shown below:

Name of Company	Year & country of incorporation		Issued share capital	Percentage of issued shares owned directly or indirectly
Subsidiaries				
Alene Oil Company	1974	USA	$600	98·33
Articulated Road Tank Company Limited	1975	England	£2	100
Brazos Young Corporation	1938	USA	$100,000	100
Drill-Tech Limited	1964	Scotland	£11,100	100
Frétoil Société Nouvelle Pétrole et Affrètements S.A.	1963	France	F.Fr 1,000,000	99·93
Fuel-Fast Limited	1970	England	£400,100	100
Gibson Crude Investments Limited	1977	Canada	100 Common shares of no par value	90
Gibson Crude Oil Purchasing Co. Limited	1954	Canada	Can $405,000	90
Gibson Holdings Limited	1968	Canada	1,518,400 Common shares of no par value	54·9
Gibson Petroleum Company Limited	1970	Canada	400,000 shares of no par value	54·9
Hunting Directional Drilling Services N.V.	1975	Netherland Antilles	$2,000	51
Hunting Gibson (America) Limited	1974	England	£208,500	100
Hunting Gibson (Overseas) Limited	1973	England	£100	100
Hunting Oilfield Services B.V.	1974	Holland	D.fl 100,000	100
Hunting Oilfield Services Limited	1967	England	£250,000	100
Hunting Oilfield Services A/S	1975	Norway	N.Kr 50,000	100
Hunting Oil Terminals Limited	1973	England	£100	100
Intercontinental Chimie S.A.	1969	France	F.Fr 1,200,000	99·85
Intercontinental Stockages S.A.	1975	France	F.Fr 150,000	98·85
Mayflower Trading and Investment Company Limited	1938	England	£28,000	100
South East Oil Deliveries Limited	1970	England	£100	100
Woolsey Transport Limited	1964	Canada	100 Common shares of no par value	54·9
Associates				
Abu Dhabi Oilfield Services W.L.L.	1972	Abu Dhabi	Dirhams 175,000	24·5
Société Européenne de Stockage S.A.	1975	France	F.Fr 10,000,000	25·68
Wascana Pipe Line Limited	1972	Canada	Can $10,020	18·3
Wascana Pipe Line Inc.	1971	USA	$255,000	18·3

General

i) There are no service agreements between any of the Directors and any company in the Group which are not determinable by the employing company within one year without payment of compensation (other than statutory compensation) and at present none is proposed.

ii) The estimated aggregate emoluments of the Directors for the current financial period under the arrangements in force at the date of this Offer for Sale are £73,550.

iii) Save as disclosed herein and save for the issue (by way of rights for cash at par or capitalisation of reserves) to HGOG and its nominees of 260,000 Ordinary Shares of £1 each in Fuel-Fast on 27th April 1978, of 1,000 Ordinary Shares of 10p each in Fuel-Fast on 5th June 1978 and of 208,400 Ordinary Shares of £1 each in HGA on 19th May 1978 and to HH and its nominees of 1,000 Ordinary Shares of £1 each in Mayflower on 16th May 1978

(a) no share or loan capital of the Company or (save for intra-group transactions) any of its subsidiaries has been issued within the two years immediately preceding the publication of this Offer for Sale or is now proposed to be issued either for cash or otherwise and

(b) no commissions, discounts, brokerages or other special terms have been granted by any company in the Group in connection with the issue or sale of any part of its share or loan capital. No material issue of shares of the Company (save as mentioned herein or other than to shareholders *pro rata* to existing holdings) will be made within one year of the publication hereof without the prior approval of the Company in General Meeting. No issue will be made which would effectively alter the control of the Company or the nature of its business without the prior approval of the Company in General Meeting.

iv) Within the two years preceding the date of this document: Gibson sold to HGOG the whole of the respective issued share capitals of HGO, HGA and Fuel-Fast for an aggregate consideration of £173,521; EAG sold to HGOG 9,992 shares of F.Fr. 100 each in Fretoil for a consideration of £336,108 and HGOG sold such shares to HGO and then repurchased them for the same sum; HGO sold to HGOG 364,500 Class 'A' voting shares of Can $1 each in GCOP for a consideration of £106,435; HH purchased the whole of the issued share capital of Mayflower from HG for £2,520,000; and HOSL purchased the whole of the issued share capital of Drilltech pursuant to material contract i) above.

v) By an Agreement dated 21st May 1969 made between EAG and Mr W. H. Green, EAG agreed to use its best endeavours, upon request by Mr Green, to purchase or procure purchasers for his holding of shares from time to time in GCOP at a price to be determined in accordance with the terms therein contained. By a further Agreement of the same date made between GCOP and Mr Green, GCOP agreed to purchase, upon request by Mr Green, his holding of shares from time to time in Gibson Holdings at a price to be determined in accordance with the terms therein contained.

vi) Save as disclosed herein, no share or loan capital of any company in the Group is under option or agreed conditionally or unconditionally to be put under option.

vii) On the basis that HAIL and Gibson retain their holdings of 2,625,000 and 3,250,000 shares in the Company and assuming that HAIL and Gibson remain non-close companies, the Company will not be a close company under the provisions of the Income and Corporation Taxes Act 1970.

viii) The Directors have been advised that no apportionment of income under Schedule 16, Finance Act 1972 is likely to be made in respect of any relevant company in the Group.

ix) The Directors have been advised that no material liability for estate duty or capital transfer tax will be likely to fall upon any company in the Group arising from the transactions described or referred to herein.

x) The preliminary expenses of the Company are £500 and are payable by the Company.

xi) No company in the Group is engaged in or has any litigation or claim of material importance pending or threatened against it.

xii) Price Waterhouse & Co. have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion herein of their Report and their letter on the profit forecast and the references thereto in the form and context in which they are included.

xiii) Robert Fleming has given and has not withdrawn its written consent to the issue of this Offer for Sale with the inclusion herein of its letter on the profit forecast and the references thereto in the form and context in which they are included.

xiv) DeGolyer and MacNaughton have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion herein of their Reports and the references thereto in the form and context in which they are included.

xv) McAlester Fuel Company has given and has not withdrawn its written consent to the issue of this Offer for Sale with the inclusion herein of the references to it in the form and context in which they are included.

xvi) The minimum sum which in the opinion of the Directors must be raised by the issue of the new Ordinary Shares in order to provide for the purposes specified in paragraph 4 of Part I of the Fourth Schedule to the Companies Act 1948 is £40,500 which will be used to pay preliminary expenses and commissions. No other amounts are required to be provided for such purposes.

xvii) The Company was incorporated in England under the Companies Acts 1948 to 1976 on 1st June 1978, and is registered with No. 1371688. Robert Fleming is registered in England with No. 262511 and its registered office is at 8 Crosby Square, London EC3A 6AN.

xviii) The registered office of HEML is situated at Reddings Wood, Ampthill, Bedfordshire, that of HGOG at Remington House, 61-65 Holborn Viaduct, London EC1P 1HP and that of HH at Avenfield House, 118-127 Park Lane, London W1Y 4HN.

xix) The documents attached to the copy of this Offer for Sale delivered to the Registrar of Companies for registration were:—

a) a written statement signed by Price Waterhouse & Co. setting out the adjustments made in arriving at the profits and net assets shown in their Report and giving their reasons therefor;

b) copies of the material contracts referred to above (or in the case of material contract vii), a memorandum giving full particulars thereof); and

c) the written consents referred to above.

xx) Copies of the following documents may be inspected at the offices of de Zoete & Bevan, 25 Finsbury Circus, London EC2M 7EE, during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of publication of this Offer for Sale:

a) the Memorandum and Articles of Association of the Company;

b) the material contracts referred to above (or, as the case may be, a memorandum thereof);

c) the Accountants' Report and statement of adjustments referred to above;

d) the Petroleum Consultants' Reports referred to above;

e) the written consents referred to above;

f) the audited consolidated account of each of HOSL, GCOP and Fuel-Fast and the audited accounts of the other companies in the Group (other than the Company) for each of the two financial years ended 31st December 1976 and 1977;

g) the HAIL and Gibson Executive Share Purchase Schemes referred to above;

h) the HAIL and Gibson Share Option Schemes referred to above; and

i) the Agreements referred to in v) above.

Dated 30th June 1978.

Procedure for application

Applications (which must be for a minimum of 200 shares and in multiples of 100 shares up to 2,000 shares, in multiples of 500 shares between 2,000 and 5,000 shares, in multiples of 1,000 shares between 5,000 and 25,000 shares and thereafter in multiples of 5,000 shares) must be made on the accompanying Application Form and forwarded to Lloyds Bank Limited, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU to arrive not later than 10 am on Thursday, 6th July 1978.

Each Application Form must be accompanied by a separate cheque (which must be drawn on a bank in and be payable in England, Scotland or Wales) in respect of the full amount payable on application, made payable to Lloyds Bank Limited and crossed 'Not Negotiable'. No application will be considered unless the above conditions are fulfilled. Robert Fleming reserves the right to present all cheques for payment on receipt, to retain Letters of Acceptance and surplus application moneys pending the clearance of all cheques and to reject or scale down applications and, in particular, multiple and suspected multiple applications. Due completion and delivery of a Form of Application accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation; attention is drawn to the declaration in the Form of Application to that effect.

Preferential consideration will be given in respect of a maximum of 270,000 shares to applications made by employees of the Group and by shareholders of Gibson and HAIL on the special forms provided for the purpose. Such applications must be for a minimum of 100 shares and in multiples of 100 shares.

Acceptance of applications will be conditional upon the whole of the issued Ordinary Share capital of the Company being admitted to the Official List of The Stock Exchange not later than 28th July 1978. Moneys paid in respect of applications will be returned if such admission to the Official List has not been granted by that date and, in the meantime, will be retained by Lloyds Bank Limited in a separate account.

If any application is not accepted, the amount paid on application will be returned in full and, if any application is accepted for fewer shares than applied for, the balance of the amount paid on application will be returned by cheque through the post, in either case at the applicant's risk.

Letters of Acceptance will be renounceable up to 24th August 1978. The shares now being offered for sale will be registered free of stamp duty and registration fees in the names of the purchasers or persons in whose favour Letters of Acceptance have been renounced, provided that, in the case of renunciation, Letters of Acceptance duly completed in accordance with the instructions contained therein are lodged for registration on or before 24th August 1978. Share certificates will be despatched on 21st September 1978.

THE APPLICATION LIST WILL OPEN AT 10 am ON THURSDAY, 6th JULY 1978 AND WILL CLOSE AT SUCH LATER TIME ON THE SAME DAY AS ROBERT FLEMING & CO. LIMITED MAY DETERMINE.

This Form should be filled in and forwarded to Lloyds Bank Limited, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU with a cheque for the full amount payable on application, so as to arrive not later than 10 am on Thursday, 6th July 1978. Cheques, which must be drawn on a bank in and be payable in England, Scotland or Wales, must be made payable to 'Lloyds Bank Limited' and be crossed 'Not Negotiable' and are liable to be presented for payment on receipt. A separate cheque must accompany each application.

Applicants are advised to use first class post and to allow two days for delivery.

FORM OF APPLICATION

Robert Fleming & Co. Limited

Offer for Sale

2,700,000 Ordinary Shares of 25p each at
85p per share (payable in full on application) of

Hunting Petroleum Services Limited

To: ROBERT FLEMING & CO. LIMITED

Gentlemen

Number of shares for which application is made★	Amount of cheque enclosed
	£

★**Applications must be for a minimum of 200 shares: applications for up to 2,000 shares must be in multiples of 100 shares, between 2,000 and 5,000 shares in multiples of 500 shares, between 5,000 and 25,000 shares in multiples of 1,000 shares, and above 25,000 shares in multiples of 5,000 shares.**

I/We enclose a cheque payable to Lloyds Bank Limited for the above-mentioned sum, being the amount payable in full on application for the stated number of the above Ordinary Shares at 85p per share and I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of your Offer for Sale dated 30th June 1978 and subject to the Memorandum and Articles of Association of the Company. I/We request that you send to me/us a fully paid renounceable Letter of Acceptance in respect of such Ordinary Shares, together with a cheque for any amount overpaid, by post at my/our risk to my/our address first given below.

An applicant who is unable to make the following Declaration should delete it and consult an Authorised Depositary* (or an Approved Agent in the Republic of Ireland†) through whom lodgement should be effected.

I/We declare that I am/we are not resident outside the Scheduled Territories‡ and am/are not acquiring the Ordinary Shares as the nominee(s) of any person(s) resident outside those Territories.

I/We understand that the completion and delivery of this Application Form accompanied by a cheque *will constitute a representation that the cheque will be honoured on first presentation. I/We acknowledge* that Letters of Acceptance and cheques for excess application moneys are liable to be held pending clearance of applicants' cheques.

PLEASE USE BLOCK LETTERS

Date ____________ Signature 1 ____________

◄ Forename(s) (in full) Surname and designation
◄ (Mr, Mrs, Miss, Ms or title)
◄ Address (in full)

PLEASE USE BLOCK LETTERS

2 ____________ Signature
Forename(s) (in full) ____________ Surname and designation (Mr, Mrs, Miss, Ms or title) ____________
Address (in full) ____________

3 ____________ Signature
Forename(s) (in full) ____________ Surname and designation (Mr, Mrs, Miss, Ms or title) ____________
Address (in full) ____________

4 ____________ Signature
Forename(s) (in full) ____________ Surname and designation (Mr, Mrs, Miss, Ms or title) ____________
Address (in full) ____________

ALL JOINT APPLICANTS MUST SIGN. A corporation should sign under the hand of a duly authorised official who should state his representative capacity.

No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course through the post by fully paid renounceable Letter of Acceptance and/or return of application moneys or any excess thereof.

EXCHANGE CONTROL ACT 1947

* Authorised Depositaries are listed in the current issue of the Bank of England's Notice E.C.1. and include most banks and stockbrokers in, and solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man.

† An Approved Agent in the Republic of Ireland is defined in the current issue of the Bank of England's Notice E.C.10.

‡ The Scheduled Territories at present comprise: the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

Number of Shares	Amount Payable £
200	170
300	255
400	340
500	425
600	510
700	595
800	680
900	765
1,000	850
5,000	4,250
10,000	8,500
20,000	17,000
50,000	42,500
100,000	85,000

Copies of this Offer for Sale with Application Forms can be obtained from the following:

HUNTING PETROLEUM SERVICES LIMITED
Avenfield House, 118-127 Park Lane, London W1Y 4HN

ROBERT FLEMING & CO. LIMITED
8 Crosby Square, London EC3A 6AN

DE ZOETE & BEVAN
25 Finsbury Circus, London EC2M 7EE and The Stock Exchange

HUNTING OILFIELD SERVICES LIMITED
Black Ness Road, Altens, Aberdeen AB1 4LT

LLOYDS BANK LIMITED
Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU

and the following branches of Lloyds Bank Limited:

5 High Street, Swindon SN1 3EN
Cox's & King's Branch, 6 Pall Mall, London SW1Y 5NH
PO Box 358, 53 King Street, Manchester M60 2ES
PO Box 108, India Buildings, Water Street, Liverpool L69 2BT
PO Box 44, 125 Colmore Row, Birmingham B3 3AD
131 George Street, Edinburgh EH2 4LQ
PO Box 153, 55 Corn Street, Bristol BS99 7LE
PO Box 10, 19-21 High Street, Southampton SO9 7AN
PO Box 56, 6-7 Park Row, Leeds LS1 1NX
PO Box 1RH, 9-17 Collingwood Street, Newcastle upon Tyne NE99 1RH
PO Box 81, 27 High Street, Cardiff CF1 2RT
19 Hall Quay, Great Yarmouth, Norfolk NR30 HH

OVERSEAS MARKETS

EUROBONDS

Doubts overhang recovery trail

BY MARY CAMPBELL

THE TWO major sectors of the Eurobond market both picked up last week, but the strength of the recovery, in the dollar sector at least, was being widely questioned. In the D-mark sector, the recovery emerged at the end of the week after moves by the Bundesbank to inject liquidity into the German financial system in a context which some dealers interpreted to mean that it did not want D-mark interest rates to rise.

In the dollar sector, the recovery was mostly technical—short-covering by dealers—and it remains to be seen whether last Friday's U.S. prime rate rises have been fully discounted or not.

The European Investment Bank's issue received a poor response. About half the sub-underwriters invited to participate declined their invitations—not a frequent occurence in the Eurobond market. The response is important because it suggests that the argument that dollar interest rates are close to their peak and this is the moment to lock in long-term high-coupon issues has not yet convinced a large proportion of market participants.

Quebec Hydro's newly-filed yankee offering will attract attention as the first public issue by a Quebec institution on the U.S. market since separatist government took office in Ouebec early last year.

The major areas of excitement last week were convertible issues by Japanese companies and the floating rate notes (FRN).

With the Tokyo Dow Jones Index hitting further new 1978 records and the yen also continuing to soar against the dollar, Japanese convertible issues were in heavy demand last week. The coupon on the Sanyo D-mark issue was cut to 3¼ per cent, but the issue still moved up to a premium on Friday. For the time being, the indicated coupon on the next D-mark convertible, for Izumiya, remains at 3¾.

In the floating rate note sector, developments last week included at least two key pointers to the future. One major development was the good response to the Offshore Mining issue, despite the absence of minimum rate and the shaving of a sixteenth off the margin traditionally payable over inter-bank rates.

This suggests demand at least for good quality non-banking names in this market, despite the fact that banks themselves—large investors in FRNs—could charge the same borrowers more by making them a medium-term loan.

It also suggests that the margins payable over inter-bank rates will vary more in the future

Many in the market did, however, question the advisability, if not the possibility, of an FRN issue with the interest rate set at Libor itself. The doubts were expressed in the context of widespread rumours that Chase Manhattan might be contemplating such an issue on a large scale. It would arguably be more akin to a certificate of deposit (CD) than an FRN—and CDs yield slightly under deposit rates.

But it was argued in the markets last week that a rate of Libor itself on an FRN issue, even for a top-quality name like Chase, would mean a general narrowing of margins to the extent of cutting demand for FRNs.

The other major development was the sell-out reported on Midland Bank's 15-year bullet issue. This, following on the success of the National Westminster Bank's 12-year FRN a few weeks ago, opens the way to banks funding themselves for long maturities at floating rates of interest. This development, if sustained, could be viewed as one of the most important for the international banking system in years, since for the first time it might make it possible to eliminate the chief remaining risks in the syndicated lending business.

The widespread use of floating rates of interest on project loans in recent years enabled banks to match the rate they pay for their funds with the rate they charge their customers: that is, to eliminate the risk of loss from mismatched interest rates. However, bankers have been left with sleepless nights over the extent to which they were borrowing short and lending long and, in the case of U.S. banks, the extent to which they were borrowing short and lending long in a currency where they have no natural deposit base.

While floating rate note issues of 5-10 years were a big step forward, the ability to build up a capital base of 12-15 year floating rate dollars would go far to solving this problem—and doubtless to enable banks to lend for longer maturities on a larger scale even than they are doing at present.

BONDTRADE INDEX AND YIELD

	June 30		June 23		1978 High	1978 Low
Medium term	98.96	8.98	99.14	8.83	99.84 (19/4)	98.96 (29/6)
Long term	92.52	8.79	92.77	8.75	94.87 (19/4)	92.52 (29/6)

EUROBOND TURNOVER
(nominal value in $m)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,178.8	1,536.3	185.7	328.4
Cedel	377.0	779.5	171.8	162.2

Sohio tax comment

STANDARD OIL (Ohio) said Alaska's recently passed Bill to increase income taxes on oil companies may raise Sohio's taxes in Alaska by $50m to $60m this year, reports Reuter from Cleveland. Net cost to Sohio shareholders would be about 35 to 40 cents a share on the split shares this year.

Mr. Alton W. Whitehouse, Sohio's Board chairman, said determination of the precise cost of the new Income Tax Bill could not be made until final regulations implementing the tax law are put into effect.

"The overall State tax burden on the Prudhoe Bay and Trans-Alaska pipeline project has increased 900 per cent since 1968," he said.

Company will continue to develop its portion of the Prudhoe Bay field and meet its obligations in operating the Trans-Alaska Pipeline.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡††Ljubljanska Banka	30	1985	5.5	7¾‖	100	Société Générale	7.90‖
‡††Norway	100	1983	5	8¾	99.60	MLWW	9.05
‡†Offshore Min. Co. (g'teed N.Z.)	100	1986	7.6	—	100	S. G. Warburg	—
†Crédit Nat. (g'teed. France)	75	1988	8	5¼‖	100	BNP	5.32‖
†B.I.A.O.	20	1983	5	6¼‖	100	BNP	6.61‖
‡**F. L. Smidth	20	1988	6.53	9¼	100	Chase Manhattan Ltd.	9.73
†Arab Int. Bank	25	1983	5	6¼‖	*	UBAF, Lib. Ar. For. Bank	*
†Banco de la Cacion	30	1983	5	8	100	EBC	8.16‖
†Indo-Suez	30	1985	7	5¼‖	100	Indo-Suez	5.58‖
§Boots	30	1993	—	6¼	*	Schroder Wagg	*
†Midland	100	1993	15	5¼‖	100	EBC, CSWW, Montagu	5.58‖
††Hydro Quebec	100	2008	n.a.	*	*	F. Boston, Bache, Merrill Lynch	*
‡**Denmark	50	1988	10	9.15	100	Morgan Stanley Int.	9.15
D-MARKS							
‡§Sanyo	150	1988	—	3¼	100	Deutsche, Nomura Eur.	3.535
Kobe (g'teed Japan)	100	1986	8	5¾	99½	Deutsche Bank	5.83
**Austria	100	1988	8	5¾	100	DG-Bank	5.75
‡**OEIAG (g'teed Austria)	20	1985	7	5½	100	WestLB	5.5
‡**Eur. Resettlement Fd.	20	1986	8	6¼	100	BHF-Bank	6.25
¶**S.A. Rail & Harb.	25	1983	n.a.	8	99½	Deutsche Bank	8.13
§Izumiya	50	1986	—	3¾	*	Bay. Vereinsbank	*
**Daishowo Paper (g'teed IBJ)	20	1983	5	5½	99½	Dresdner Bank	*
GUILDERS							
‡ECSC	100	1993	10.5	7¼	99	AmRo, ABN	7.36
SWISS FRANCS							
**World Bank	300	1985	n.a.	4⅛	100	UBS	4.125
EIB	100	1993	n.a.	4¼	100	Crédit Suisse	4.25
YEN							
‡Brazil	30bn	1988	9	6¼	99.45	Nomura Securities	6.69
LUXEMBOURG FRANCS							
Renault	500	1988	8	7¾	100	Soc. Gen. Alsac. B.	7.75
**Ind. Fund of Fin. (g'teed Finland)	250	1988	7.5	8	*	Banq. Gen. du Lux.	*
**BAT Int. Fin.	250	1988	10	8	99	Kredietbank Lux.	8.15
BELGIAN FRANCS							
‡ECSC	2bn	1986	7.55	8¼	99½	Soc. Gen. de Banque	8.59
BAHRAINI DINARS							
Sonatrach	8	1983/88	—	8½	*	Gulf Int. Bank	*
UNITS OF ACCOUNT							
‡Autoroute Basque (g'teed France)	16	1993	11.47	7	99½	Kredietbank Lux.	7.0825

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ‖ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Unconfirmed.
Note: Yields are calculated on AIBD basis.

Indices

NEW YORK—DOW JONES

N.Y.S.E. ALL COMMON

June 30	June 29	June 28	June 27	1978 High	1978 Low
55.66	55.89	55.58	55.56	56.20 (8.6)	48.37 (6.3)

Rises and falls

	June 30	June 29	June 28
Issues traded	1,832	1,874	1,867
Rises	687?	830	826
Falls	671?	590	585
Unchanged	474	454	456
New Highs	[illegible]	19	—
New Lows	[illegible]	26	—

NEW YORK

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Group Mngd. Pen. 184.8
Fixed Int. Pen. 199.7
Equity Pension 230.0
Property Pension 139.4

Cornhill Insurance Co. Ltd.
32, Cornhill, E.C.3. 01-626 5410
Cap. Feb June 15 123.5
GS Spec. June 15 52.0
MnGthFd June30 169.0 178.0

Credit & Commerce Insurance
120, Regent St., London W1R 5FE. 01-439 7081
C&C Magd. Fd. 122.0 132.0

Crown Life Assurance Co. Ltd.♥
Crown Life Hse., Woking, GU21 1XW 04862 5033

Mang'd Fund Acc.	98.9	104.1	.....	7.05
Mang'd Fd. Incm.	98.9	104.1	.....	7.10
Mang'd Fd. Init.	98.4	103.5	.....	—
Equity Fd. Acc.	97.1	102.2	.....	—
Equity Fd. Incm.	97.1	102.2	.....	5.00
Equity Fd. Init.	97.1	102.2	.....	—
Property Fd. Acc.	95.6	100.6	.....	—
Property Fd. Incm.	95.6	100.6	.....	—
Property Fd. Init.	95.4	100.4	.....	—
Inv. Tst. Fd. Acc.	95.4	100.4	.....	—
Inv. Tst. Fd. Incm.	95.4	100.4	.....	5.30
Inv. Tst. Fd. Init.	95.1	100.1	.....	—
Fixed Int. Fd. Acc.	95.8	100.8	.....	—
Fxd. Int. Fd. Incm.	95.8	100.8	.....	12.30
Inter'l. Fd. Acc.	105.0	110.5	.....	—
Inter'l. Fd. Incm.	105.0	110.5	.....	4.22
Money Fd. Acc.	95.9	100.9	.....	—
Money Fd. Incm.	95.9	100.9	.....	8.75
Dist. Fd. Incm.	97.8	102.9	.....	8.57
Crown Brt. Inv. 'A'	159.6	—	.....	—

Crusader Insurance Co. Ltd.
Vincula House, Tower Pl., EC3. 01-626 8031
Gth. Prop. June 6 70.3 79.5 ..... —

Eagle Star Insur/Midland Ass.
1, Threadneedle St., EC2. 01-588 1212
Eagle Mid. Units 50.7 52.6 +0.7 6.20

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	110.9	116.7	+1.3	—
Property Fd.	106.4	111.9	.....	—
Fixed Interest F.	107.1	112.7	+1.1	—
Gtd. Deposit Fd.	99.0	104.2	.....	—
Mixed Fd.	109.4	115.1	+0.9	—

The London & Manchester Ass. Gp.♥
The Leas, Folkestone, Kent. 0303 57333

Cap. Growth Fund	221.6	−2.8	—
♦Flex. Exempt Fd.	130.3	−1.5	—
♦Exempt Prop. Fd.	89.2	−0.3	—
♦Expt. Inv. Tst. Fd.	147.7	−2.0	—
Flexible Fund	111.2	−1.3	—
Inv. Trust Fund	134.8	−2.2	—
Property Fund	82.5	−0.1	—

M & G Group♥
Three Quays, Tower Hill EC3R 6BQ 01-626 4588

Pers. Pension***	225.0	—	+0.7	—
Conv. Deposit*	118.0	124.0	.....	—
Equity Bond**	134.8	141.7	.....	—
Family 79-80**	155.2	—	.....	—
Family 81-86**	179.6	—	.....	—
Gilt Bond***	105.6	111.0	−1.2	—
Internatnl. Bond**	102.0	107.3	.....	—
Managed Bd.***	136.6	143.5	+0.3	—
Property Bd**	158.7	166.7	.....	—
Ex. Yield Fd. Bd.*	79.0	83.1	.....	—
Recovery Fd. Bd.*	60.8	64.0	.....	—
American Fd. Bd.*	52.0	54.7	.....	—
Japan Fd. Bd.*	54.2	57.0	.....	—

Prices on *June 28 **June 29. ***June 30.

Merchant Investors Assurance
125, High Street, Croydon. 01-686 9171

Property	153.8	+1.0	—
Property Pens.	160.8	+1.4	—
Equity	56.3	+0.2	—
Equity Pens.	161.2	+0.8	—
Money Market	139.9	+0.5	—
Money Mkt. Pens.	180.6	+0.6	—
Deposit	128.7	+0.1	—
Deposit Pens.	140.1	+0.2	—
Managed	103.4	+0.5	—
Managed Pens.	134.8	+0.8	—
Intl. Equity	104.0	−0.5	—
Intl. Managed	102.6	−0.3	—

NEL Pensions Ltd.
Milton Court, Dorking, Surrey. 5911

Nelex Eq. Cap.	78.1	82.2	.....	—
Nelex Eq. Accum.	109.1	114.9	+0.2	—
Nelex Money Cap.	61.8	65.0	.....	—
Nelex Mon. Acc.	65.6	69.0	.....	—
Nelex Gth Inc Cap.	47.6	50.1	.....	—
Nelex Gth Inc Acc.	48.6	51.1	.....	—
Nel Mxd. Fd. Cap.	47.6	50.1	.....	—
Nel Mxd. Fd. Acc.	48.6	51.1	.....	—

Next Sub. day July 25.
For New Court Property see under Rothschild Asset Management

FINANCIAL TIMES STOCK INDICES

	June 30	June 29	June 28	June 27	June 26	June 23	A year ago
Government Secs.	69.52	69.25	69.01	69.25	68.88	69.21	67.78
Fixed Interest	71.45	71.24	71.16	71.23	71.07	71.62	68.31
Industrial Ordinary	460.8	457.3	455.3	456.3	455.0	456.3	451.2
Gold Mines	158.9	162.4	160.6	157.6	158.1	161.5	110.8
Ord. Div. Yield	5.76	5.80	5.83	5.81	5.84	5.79	5.19
Earnings, Y'ld % (full)*	17.46	17.59	17.68	17.63	16.88	16.74	15.68
P/E Ratio (net)*	7.61	7.56	7.52	7.54	7.94	8.01	9.29
Dealings marked	4,314	4,348	4,018	4,470	4,394	4,436	4,522
Equity turnover £m.	—	56.26	66.85	57.37	61.07	91.94	54.42
Equity bargains total	—	12,090	13,506	13,165	15,705	15,699	13,982

10 am 460.7. 11 am 459.5. Noon 460.1. 1 pm 460.1.
2 pm 460.1. 3 pm 460.5.
Latest Index 01-246 8026.
* Based on 52 per cent corporation tax. † Nil=7.45.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (6/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (5/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	169.6 (5/1)	130.3 (6/4)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 30	June 29
—Daily		
Gilt-Edged	128.8	157.6
Industries	148.9	141.6
Speculative	37.5	37.0
Totals	98.2	99.0
5-day Av'rage		
Gilt-Edged	148.3	149.1
Industries	143.8	144.5
Speculative	42.2	42.7
Totals	98.1	98.6

FT—ACTUARIES INDICES

	June 30	June 29	June 28	June 27	June 26	June 23	A Year ago
Industrial Group	206.20	203.87	205.81	203.35	202.44	204.46	181.50
500 Shares	229.08	226.57	226.61	226.27	225.25	227.51	208.17
Div. Yield %	5.56	5.61	5.61	5.62	5.65	5.59	5.50
P/E Ratio (net)	7.87	7.78	7.80	7.79	7.76	7.84	9.04
All shares	210.67	208.50	208.55	208.33	207.47	209.53	189.32

Intl Pacific Secs. $SUS1.09
NAV June 15. *Equivalent $US71.06. Next sub. June 30.

Keyselex Mngt., Jersey Ltd.
PO Box 98, St. Helier, Jersey. (Eng. 01-606 7070)

Fonselex	Fr1,482	1,580	.....	2.90
Bondselex	Fr11.90	12.60	.....	—
Keyselex Int'l	£6.62	7.43	.....	—
Keyselex Europe	£3.91	4.41	.....	3.74
Japan Gth. Fund	$US4.18	3.47	.....	—
Keyselex Japan	£13.54	14.87	−0.95	—
Cent. Assets Cap.	£134.06		+0.03	.....

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. May 25	$US2.22	2.64	.....	—
CMT Ltd. May 25	£12.50	12.83	.....	—
Metals Tst. June 16	£12.17	12.47	.....	—
TMT June 8	$US10.57	10.85	.....	—
TMT Ltd. June 8	£10.55	10.75	.....	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. $US14.92 −0.07 —

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 458-463

INSURANCE BASE RATES

† Property Growth 9¾%
† Vanbrugh Guaranteed 9.37%
† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

Interest Due	Stock	Price £	Last xd	Div % Gross	Red. Yield
10J 10J	Ireland 7½pc '81-83	82¼xd	12.6	7½	12.17
1M 1S	Do 9¼pc '81-86	81	15.2	9¼	12.97
1J 1D	Japan 4pc '10 Ass.	365xd	1.6	—	—
30J 31D	Do 6pc '83-88	69xd	3.1	6	11.05
1A 1O	Peru Ass 3pc	140	3.4	3	2.16
30J 31D	S.G.I. 6½pc 1980	75p	3.1	6½	8.67
May 1	Turin 9pc 1991	59½	2.5	9	9.52
15A 15O	Turin 6½pc 1984	DM91	17.4	6½	10.70
1F.M.A.N.	Uruguay 3½pc	97	2.5	3½	3.80

U.S. $ & DM prices exclude inv. $ premium

**BRITISH FUNDS

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Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Red. Yield
—	Antofagasta Rly.	21	871	—	—
1J 1J	Do. 5pc Pref.	35xd	30.5	—	—
1J 1J	Chilean Mixed	98	31	3	£3.10
1J 1D	German Yng. 4½pc.	405xd	1.6	4½	—
1M 1N	Greek 7pc Ass.	54	2.5	3½	£6.48
1F 1A	Do 6pc 28 Stab. Ass.	51	1.2	6	£6.00
1A 1O	Do 4pc Mixed Ass.	43	3.4	4	£4.76
May 1	Hung. '24 Ass.	55	2.5	4½	5.00
30J 31D	Iceland 6½pc '83-88	65xd	30.5	—	12.60

AMERICANS

S.E. List Premium 52% based on US$1.8585 per £
Conversion factor 0.6584 (0.6580)

CANADIANS

S.E. List Premium 52% (based on $2.0896 per £)

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O.F.S.

FINANCE

DIAMOND AND PLATINUM

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Sterling denominated securities which include investment dollar premium.
- "Tap" Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- Interim since increased or resumed.
- Interim since reduced, passed or deferred.
- Tax-free to non-residents on application.
- Figures or report awaited.
- Unlisted security.
- Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Free of Stamp Duty.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim; reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 27

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	21	......
Bdg'wtr. Est. 50p	267	......
Clover Croft	26	......
Craig & Rose £1	445	......
Dyson (R. A.) A.	37	......
Ellis & McHdy	61	......
Evered	17½	......
Fife Forge	50	......
Finlay Pkg. 5p	23½	−½
Graig Ship. £1	140	......
Higsons Brew	75	......
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	263	......
N'thn. Goldsmith	57	+2
Pearce (C. H.)	165	......
Peel Mills	20	......
Sheffield Brick	45	......
Sheff. Refrshmt.	52	......
Sindall (Wm.)	102	......

IRISH

Conv. 9% '80/82	£98⅜	+⅛
Alliance Gas	73	......
Arnott	337	......
Carroll (P.J.)	95	......
Clondalkin	98	......
Concrete Prods.	130	......
Helton (Hldgs.)	40	−4
Ins Corp.	148	......
Irish Ropes	130	......
Jacob	64	−1
Sunbeam	30	......
T.M.G.	175	+5
Unidare	90	......

OPTIONS
3-month Call Rates

Industrials

A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	11
Barclays Bank	25
Beecham	35
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	12
Cadburys	5
Courtaulds	10
Debenhams	6
Distillers	15
Dunlop	7
Eagle Star	11
E.M.I.	14
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met.	9
G.U.S. 'A'	20
Guardian	18
G.K.N.	22
Hawker Sidd.	20
House of Fraser	12
I.C.I.	20
"Imps"	6
I.C.L.	20
Inveresk	8
KCA	3
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	4
London Brick	5
Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
N.E.I.	12
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	8
Plessey	8
R.H.M.	5
Rank Org. 'A'	18
Reed Intnl.	12
Spillers	3
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	35
Utd. Drapery	7½
Vickers	15
Woolworths	5

Property

Brit. Land	3¾
Cap. Counties	4½
E.P.	5
Intreuropean	4
Land Secs.	16
MEPC	12
Peachey	8
Samuel Props.	9
Town & City	1¼

Oils

Brit. Petroleum	45
Burmah Oil	5
Charterhall	3
Shell	28
Ultramar	28

Mines

Charter Cons.	12
Cons. Gold	14
Rio T. Zinc	16

FINANCIAL TIMES
Monday July 3 1978

Economic upsurge still restrained

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE IMPROVEMENT in UK economic activity and output remains uneven and falls short of boom conditions, according to two major surveys of industrial opinion published this morning.

The Confederation of British Industry monthly trends inquiry shows that since the early spring there may have been a slight improvement in total order books, a more marked recovery in export order books and some reduction in the proportion of companies with high stocks of finished goods.

The inquiry, which covers 2,237 manufacturing companies, reports that the forecast for volume of output in the next four months is much weaker than earlier in the year.

Broadly similar conclusions are suggested by the Financial Times monthly business opinion survey, also published this morning. This confirms the more optimistic view of export prospects, but shows little change in the trend of new orders.

These results might appear surprising in view of the evidence of a quite sharp rise in consumer demand, in particular, for household durable goods. But a significant part of this rise may have been met from imports.

Moreover, the CBI suggests that the recent weakening in the four-month forecast of manufacturing production may be because companies chose to meet demand at least in part by reducing stocks of goods from levels judged too high.

The FT survey shows a rising proportion of companies saying their stocks are too high. Government figures last week revealed a very sharp rise in industry's stocks in the first three months of this year, which may have since been reversed.

The CBI notes the sharp rise in manufacturing output in April, but says "further movements in the same direction, combined with more encouraging trends in our own surveys, will be needed before we can be reasonably confident that a worthwhile rise in manufacturing output has begun and will go on."

The improvement in the real profitability of industry, excluding North Sea operations, last year has been halted and is likely to be reversed in the rest of the year, according to the CBI.

Low ebb

"Unless there is a very marked fall in the rate of pay inflation, we see little chance of real profitability even returning to last year's level by 1979.

"If so, cash flow and in consequence industrial confidence will continue to remain at a low ebb. This would quickly serve to worsen the outlook for output, investment and employment."

Reports from the CBI's regional offices, based on anecdotal evidence and impressions, indicate that the level of business confidence is far from high.

The FT survey suggests that while companies are cautiously confident about their own prospects they have become much less optimistic in recent months about the outlook for the economy as a whole, principally because of pay and political uncertainties.

Overall, the CBI suggests that the growth of output should continue in the rest of 1978, giving an increase of 3 per cent or more in real terms through the year.

The London Business School takes a similar view in its latest four-monthly major analysis published this morning. It projects a short-lived consumer-led revival this year, followed by slower growth and a deteriorating current account next year.

The school says that rising consumption has already pre-empted the benefits of North Sea oil.

FT survey details, Page 7
Consumer boom, Page 4

Chrysler draws up agreement as disputes loom

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

Management and unions of Chrysler U.K. are to meet Department of Industry officials in Coventry today to approve the final draft of a new planning agreement.

Chrysler is the only company to have entered such a formal agreement—an issue which was central to the Labour Party election campaign nearly four years ago.

Today's gathering could hardly have come at a more embarrassing time for the company. Industrial disputes threaten to bring all car assembly to a standstill within the next 48 hours, and serious questions have been raised about the long-term future of the troubled Linwood plant in Scotland.

There is concern both in Whitehall and within the U.S. parent company about the Scottish operation's poor productivity, but the company moved quickly last night to deny speculation that it was considering the disposal of the plant to a Japanese company.

Chrysler has partnership arrangements with Mitsubishi Motor Corporation in some of the important world car markets outside Europe.

Mr. Eugene Cafiero, deputy managing director of Chrysler, in Detroit, has issued a clear warning that "a consistent achievement of programme levels and production is vital to the viability of Chrysler UK."

Output at Linwood is at a standstill because of a strike by 550 paint-shop workers over manning arrangements. About 5,000 workers have been laid off and three days' production of Avenger and Sunbeam models has been lost.

The planning agreement is thought to be silent about plans for Linwood beyond 1980. However, Linwood stewards have been told unofficially that Linwood will get production of the next new car only if they demonstrate a sufficiently good production record to justify the investment.

At Coventry, an unofficial strike by 350 toolmakers over differentials could cause widespread lay-offs today at the engine factory at Stoke, and the assembly plant at Ryton.

Hopes for a settlement rest on a meeting today, when toolmakers' leaders will be told that they will have the chance to put their claims to Mr. George Lacey, Chrysler UK's managing director, and Mr. Terry Duffy, president-elect of the Amalgamated Union of Engineering Workers, at a national conference.

The latest unrest seems likely to thrust Chrysler back into the red, after a successful first quarter when the UK operation returned profits for the first time since the Government rescue negotiated in 1975.

Last night, there was obvious concern among senior Chrysler executives that the immediate problems should not cloud the progress made with trade unions in discussing longer-term objectives through the planning agreement.

The draft planning agreement will be forwarded to Mr. Eric Varley, Industry Secretary, who is expected to sign it within the next few weeks.

In Detroit, Chrysler UK's parent said it planned to invest up to $180m (£98m) over the next three years to expand, modernise and retool its Syracuse, N.Y., new process gear plant.

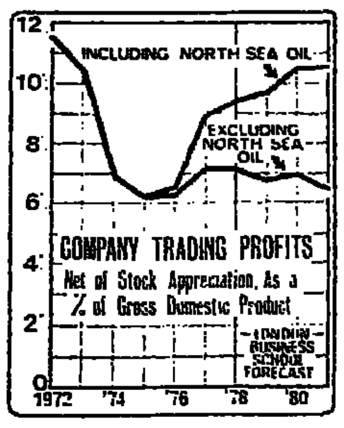
The programme involves redesign of the entire line of new process gear products for trucks, four-wheel vehicles and the smaller, front-wheel-drive passenger cars, the company said.

● Efforts by BL Cars to gain a bigger share of the expanding UK market are threatened by yet another dispute. The company said last night that lay-offs were likely within the week because of a strike by 640 press shop operators at Swindon.

The Swindon plant supplies panels to the Longbridge, Cowley and Abingdon plants. Models threatened are the Mini, Allegro, Marina, Maxi, Princess, and MG.

THE LEX COLUMN

A seven-year itch in Town Halls



The money market is full of talk that the biggest ever local authority floating rate stock issue is imminent. A £50m offer by one of the best local authority names on the list is believed to be in the offing, and could be announced as soon as this morning. Apart from the size of the tranche, a crucial point is that the stock will stretch out beyond the five-year term to which previous floating rate issues have been limited: it is likely to be of a maturity of a little over seven years. All in all, the issue will amount to an attempt to open right up this market in LIBOR-related floating rate stocks.

Since the first such issue a little less than a year ago the market has operated in fits and starts. There was a long fallow period in the spring when banking margins became so narrow that the local authorities turned in droves to the syndicated bank loan market where margins on seven-year money at one stage eased to under 1 per cent over six month interbank rates.

Several new issues have been launched recently, however—including a £25m five-year stock for Edinburgh — and the imposition of the "corset" is now making the banking alternative less attractive. Margins have stretched out to 1¼ per cent on bank loans, making stock issues (despite their higher costs) competitive once again at around ⅞ of a percentage point over six-month LIBOR for five years, and perhaps ¾ per cent for seven years.

It is estimated that local authorities have raised between £100m and £200m in syndicated bank loans in the past six months, biting deeply into a potential demand for medium-term variable rate debt of some £500m. A really big issue of stock at this stage, however, could allow something of a breakthrough. For there are hopes that it would transform the liquidity of the market in stocks and allow larges investors, like company treasurers, to deal freely in very big lines —of, say, £1m — in a single stock. At present, they tend to have to pick up dribs and drabs wherever they can find them.

The extending of the maturity beyond five years, moreover, would increase the appeal of this form of financing to local authorities keen to extend the length of their debt. And it would be possible to build in greater flexibility by including in the formula an option to redeem the stock at some earlier date. But stocks with a life over five years come up against an important technical problem in the stock market, in that the negotiable dated securities are placed by fixed rate scales when the life of the stock is more than five years.

So far the Stock Exchange has proved inflexible over commission rates, and the question is whether the actual appearance of a seven-year stock will force a change of approach. For if the attitude of the Stock Exchange remains rigid the market in such securities is bound to develop elsewhere. One suggestion is that by classifying these floating rate stocks as effectively six month securities being rolled over rather than as medium term stocks the Stock Exchange Council might find a way out of the dilemma.

Two cash distribution schemes made by listed companies, and an unpublicised letter sent in mid-June by the deputy chairman of the Board of Inland Revenue to the accountancy bodies, suggest that the Revenue is taking a more flexible attitude to tax anti-avoidance rules. These make it difficult for companies to return surplus cash to shareholders without them incurring prohibitive taxation.

The first public manifestation of this came in May, when the Bradford-based greetings card business W. N. Sharpe announced that it was returning £3m to shareholders by way of a scheme of arrangement under Section 206 of the Companies Act 1948. The scheme got the all-clear from Somerset House, by all accounts slightly to the surprise of those involved. It meant that Sharpe shareholders will at the very most be subject only to 30 per cent capital gains tax. The interesting feature of the case was the weight laid by Sharpe's advisers on the takeover threat which the surplus cash posed to the company and its employees.

The second development came when the Inland Revenue letter to the accountancy bodies offered a new facility when schemes apparently similar to Sharpe's are turned down under the advance clearance procedures of Section 464 of the Income and Corporation Taxes Act 1970. Beginning with Section 460, this is part of the toughest anti-avoidance legislation in the book. The Revenue statement revealed, however, that it had been reviewing the working of the clearance procedure since it seemed that "some genuine misunderstanding exists about the scope of Section 460 in relation to transactions with a commercial element . . ."

It went on to point out that schemes are not caught, provided they are "carried out either for bona fide commercial reasons or in the ordinary course of making or managing investments, and that none of them has as their main object or one of their main objects, to enable tax advantages to be obtained . . ." Whereas in the past the Inland Revenue has given no reasons for refusing advance clearance to a scheme it will now do so for a trial period of 12 months.

Repaying capital

Then last week came news of another cash repayment scheme which had been cleared by the Revenue. This time the company was the packaging material manufacturer David S. Smith, and the amount to be returned to shareholders was £1.6m. Unlike Sharpe, the device chosen by Smith was the less costly members' voluntary liquidation mechanism. But again the takeover threat was emphasised in the company's application.

So does this mean that all companies with surplus cash can now get Revenue clearance to make a capital repayment, securing dividend freedom in the process? The answer is that only those companies which satisfy particular restrictive criteria appear to be in the gap. On the evidence of Sharpe and Smith, it would seem that to qualify a company, apart from being listed, must be a family business with a genuine surplus of cash. It should have paid out the maximum dividend in recent years, must intend to pay as much as possible in the future and should, if possible have received a bid approach.

Arab League freezes its links with South Yemen

BY ROGER MATTHEWS

CAIRO, July 2.

MOST ARAB countries decided today to freeze relations and cut all economic links with South Yemen, the clearest indication yet of the deep concern by the more conservative Arab states over growing Soviet influence in the region.

After a two-day emergency session of the 23-country-strong Arab League, the 16 participating members issued a strong statement condemning last week-end's murder of the President of North Yemen, Mr. Ahmed Husain al-Ghashmi.

They had received a report from the North Yemeni delegation which is said to have shown involvement by the Aden Government.

As a result all political and diplomatic relations will be frozen with South Yemen and economic, cultural and technical links suspended. This decision will be reconsidered when South Yemen again respected the provisions of the Arab League charter, the statement said.

Arab League members were reported to have been "deeply angered" by South Yemen's alleged participation in the murder of President Al-Ghasmi, who was killed by a bomb concealed in an attache case.

They were said to be further alarmed by the subsequent fighting in Aden which led to the overthrow and execution of the South Yemeni president, Mr. Salem Rubai Ali, who is said to have been toppled by strongly pro-Moscow elements.

Saudi Arabia's attitude is believed to have been crucial and Prince Saud, the Foreign Minister, lobbied strongly for action to be taken against South Yemen.

"This is the first time that the Arab League has agreed to take sanctions against a member state and we are proud of the decision," said Mr. Abdullah El-Assnag, the North Yemeni foreign minister.

"We are fully capable of meeting any threats or attempts to subvert our internal stability," he added.

It may not be clear for some weeks how effective the freeze will be. The Arab League decision is binding on those members who voted for it today, although there is no machinery for monitoring the performance of individual members.

The five hardline or rejectionist states, which did not attend the meeting because of their opposition to the Middle East peace initiative by President Anwar Sadat of Egypt, could choose to ignore it.

One senior Arab diplomat commented: "There are two clear messages from our meeting today. One is to the Soviet Union which we do not want interfering in the affairs of our region. The other is to South Yemen. We do not wish to close the door on the people there, but the behaviour of the regime has been intolerable."

Of critical importance to South Yemen's immediate economic future would be any decision by Saudi Arabia and Kuwait to stop sending oil to be refined at the former BP plant in Aden.

● Almost 6,000 people were killed or wounded by Cuban-piloted air attacks and Soviet naval shelling during the overthrow of South Yemen's President Salem Rubai Ali, it is being claimed in Sanaa.

Tractor slump casts gloom on farm show

BY CHRISTOPHER PARKES

NEW FIGURES on the state of Britain's farm machinery market provided a gloomy note yesterday for the start of the Royal Show at Stoneleigh, Warwickshire, the farming industry's main showcase of the year which opens this morning.

Home sales of tractors and machinery over the past 12 months were 12½ per cent down on a year before, said the Agricultural Equipment Dealers' Association, and there was little prospect of any substantial increase in the rest of this year.

Dealers are now offering farmers new tractors with price cuts ranging from 16 to over 20 per cent.

At the same time, the Agricultural Engineers' Association reported a 15 per cent surge in the value of tractor imports in the first five months of the year compared with the same period of 1977, coupled with a 3 per cent dip in exports.

Imports of other farm machinery jumped 23 per cent over the five months and the value of imported tractor engines rose 37 per cent.

Tractors, which account for 80 per cent of farm machinery, have been badly hit on home and foreign markets.

Officials from Massey-Ferguson, Britain's biggest tractor manufacturer, said next week its entire tractor workforce would be laid off for one week before the annual three-week holiday.

The company has already announced more than 1,000 redundancies from its 8,000 workforce. Almost all this loss of jobs later this month will hit the staff at the Coventry works.

Massey said world-wide demand for tractors had slipped 15-20 per cent and it could not foresee any improvement.

Four-fifths of the company's production was exported—mostly to the developing world where the fall in sales had been severest.

The agricultural engineers say trade has "virtually ceased" with Turkey which only two years ago was the UK's biggest market.

At the Ford tractor plant in Basildon, Essex, the customary three-week annual holiday is expected to be extended to six weeks this year.

However, Mr. John Colman, president of the agricultural engineers, forecast "a marked change" next year as British manufacturers switched their attention away from home sales to export markets for machinery.

"There is no doubt that this industry is in a period of adjustment. We must recall that we have just passed through a boom period and comparison with this can be misleading," he said.

Left-wing Labour MPs plan campaign against Boyle rises

BY RICHARD EVANS, LOBBY EDITOR

LEFT-WING Labour MPs are planning a campaign against Cabinet plans to implement by stages the substantial salary increases of up to £20,000 a year recommended for senior public servants by the top salaries review body chaired by Lord Boyle.

The first stage will be to mobilise party opinion against the increases at the special meeting of the Parliamentary Labour Party to be addressed by the Prime Minister tomorrow.

The meeting has been called primarily to defuse a party row before the Government formally announces its decision on the recommendations of the Boyle report later in the week.

After the meeting attempts will be made to muster opinion among senior Ministers and in the trade union movement against the rises, which Left-wingers regard as grotesquely high and politically inept at a time Ministers are seeking further pay restraint from the unions.

There are known to be continuing anxieties within the Cabinet over implementation following fierce opposition to Boyle led by Mr. Michael Foot, Lord President.

Details of the rearguard party campaign will be discussed by the Tribune Group at its weekly meeting at the Commons tonight. Although not on the formal agenda the matter is also likely to be raised at today's meeting of the TUC Labour Party liaison committee which the Prime Minister will attend.

Although Mr. Callaghan is prepared for party criticism of his intention to allow the top public servants 10 per cent now, in line with current pay policy, and to phase in the remainder over three years, he is said to be determined to press ahead.

Mr. Callaghan will emphasise to the PLP that the recommended increases, although large, do not make up for the fall in values since 1974, and the effect of taxes will leave a relatively modest amount in take-home pay.

Any fine-tuning by the Cabinet on the recommendations will depend on reactions from the trade unions and the party, but the only possible change seems to be over the three-year time scale over which the increases would be introduced.

Some MPs wonder if a final decision might be delayed because of the need to avoid a conflict with the unions during talks on the future of pay policy.

Mr. Callaghan has already called for greater restraint next year, expected to mean increases averaging no more than 7 per cent, to combat inflation.

In addition, there is the psychological damage to the union talks that would follow the abandonment of formal dividend controls at the end of the month.

Ministers now acknowledge there is little hope of getting fresh legislation through the Commons this session. Instead they are likely to rely on voluntary restraint coupled with warnings of retaliatory action should excessive dividends be paid.

The outcry at the Boyle recommendations started at the weekend, with Mr. Frank Allaun, a leading Left-winger and vice-chairman of the Labour Party, claiming that it would be "political suicide" for the Government to implement the rises just before a probable general election.

Mr. Arthur Latham, MP for Paddington and a former chairman of the Tribune Group, argued that it would be obscene to give top people rises that were greater than many people even earned.

British Gas moves office to lobby in Washington

BY RAY DAFTER, ENERGY CORRESPONDENT

THE British Gas Corporation, whose international consultancy service in the U.S. has been hit by American energy policies, is closing its Connecticut office and moving to Washington in a bid to become more involved in political considerations.

The corporation, through its International Consultancy Service, receives about £8m a year from the sale of gas technology. About half of this revenue is generated in the U.S., much of it from licences on substitute natural gas processes.

For the last four years, however, the U.S. energy administration has put a brake on the construction of substitute natural gas plants, which use oil products as feedstock.

It is argued that the products should be reserved for the chemicals industry. As a result of the hold-up in development British Gas expansion plans in the U.S. have been hindered.

Consequently, International Gas Consultancy, part of the International Consultancy Service, is opening an office in Washington where, according to the gas industry, the petrochemicals industry has been particularly successful in lobbying for security of feedstock.

The move coincides with a transfer of senior personnel. Mr. George Percival, a director of International Gas and co-inventor of one of the gas controlling processes, is returning to London today after five years as the corporation's U.S. representative.

Mr. Percival, who was based in Stamford, Connecticut, is being succeeded by Mr. Graham Bolton, an engineer.

News Analysis, Page 3

Weather

U.K. TODAY

SHOWERS, bright later.

London, S.E., E., Cent. S., Cent., N. England, E. Anglia, Midlands.
Bright periods, showers. Max. 16C (61F).

Channel Islands
Cloudy with rain. Max. 16C (61F).

S.W., N.W. England, Wales.
Bright periods, showers. Max. 15C (59F).

Lakes, Isle of Man, N.E. England, Borders, S.W. Scotland, N. Ireland.
Cloudy, showers. Max. 14C (57F).

Cent. Highlands, N.E., N.W Scotland.
Cloudy, outbreaks of rain. Max. 13C (55F).

Orkney, Shetland.
Cloudy, rain. Max. 12C (54F).

Outlook: Showers, sunny intervals.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstdm.	R	15	59	Luxemb'g	R	14	57
Athens	S	28	82	Madrid	F	25	77
Bahrain	S	33	91	Manchestr	R	14	57
Barcelona	S	21	70	Melbourne	R	11	52
Beirut	S	27	81	Mexico C.	C	21	70
Belfast	C	16	61	Milan	S	22	72
Belgrade	F	28	82	Montreal	S	19	67
Berlin	F	21	70	Moscow	F	21	70
Birmnghm	C	17	63	Munich	F	18	64
Bristol	C	15	59	Newcastle	S	17	63
Brussels	R	16	61	New York	S	23	73
Budapest	C	21	70	Oslo	C	14	57
B. Aires	S	16	61	Paris	C	19	66
Cairo	S	34	93	Perth	C	16	61
Cardiff	R	14	57	Prague	F	20	68
Chicago	C	22	72	Reykjavik	F	9	49
Cologne	R	17	63	Rio de J'o	C	25	77
Copenhgn	F	17	63	Rome	S	24	75
Dublin	C	15	59	Singapore	S	30	86
Edinburgh	C	14	57	Stockholm	C	19	66
Frankfurt	F	21	70	Strasbrg	C	20	68
Geneva	S	21	70	Sydney	R	11	52
Glasgow	C	13	55	Tehran	S	33	92
Helsinki	Th	17	63	Tokyo	S	27	81
H. Kong	S	30	87	Toronto	S	20	68
J'burg	S	16	61	Vienna	C	19	66
Lisbon	S	29	84	Warsaw	R	14	57
London	C	18	64	Zurich	F	20	68

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	F	22	72	Jersey	Fg	14	57
Algiers	C	23	73	Las Plms	F	22	72
Biarritz	S	18	64	Locarno	F	23	73
Blackpool	C	13	55	Luxor	S	37	99
Bordeaux	C	19	66	Majorca	F	26	79
Boulogne	R	13	55	Malaga	S	23	73
Casablnca	F	23	73	Malta	S	24	75
Cape Town	S	16	61	Nairobi	S	21	69
Corfu	S	27	81	Naples	F	24	75
Dubrovnik	F	26	79	Nice	S	21	70
Florence	F	25	77	Nicosia	S	31	88
Funchal	C	19	66	Rhodes	S	30	86
Gibraltar	S	22	72	Salzburg	R	15	64
Guernsey	Fg	14	57	Tangier	S	27	81
Innsbruck	C	17	63	Tenerife	S	22	72
Inverness	F	14	57	Tunis	C	25	77
I. of Man	C	14	57	Valencia	S	26	79
Istanbul	S	25	77	Venice	C	20	68

S—Sunny. R—Rain. F—Fair. C—Cloudy. Th—Thunderstorm. Fg—Fog.

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